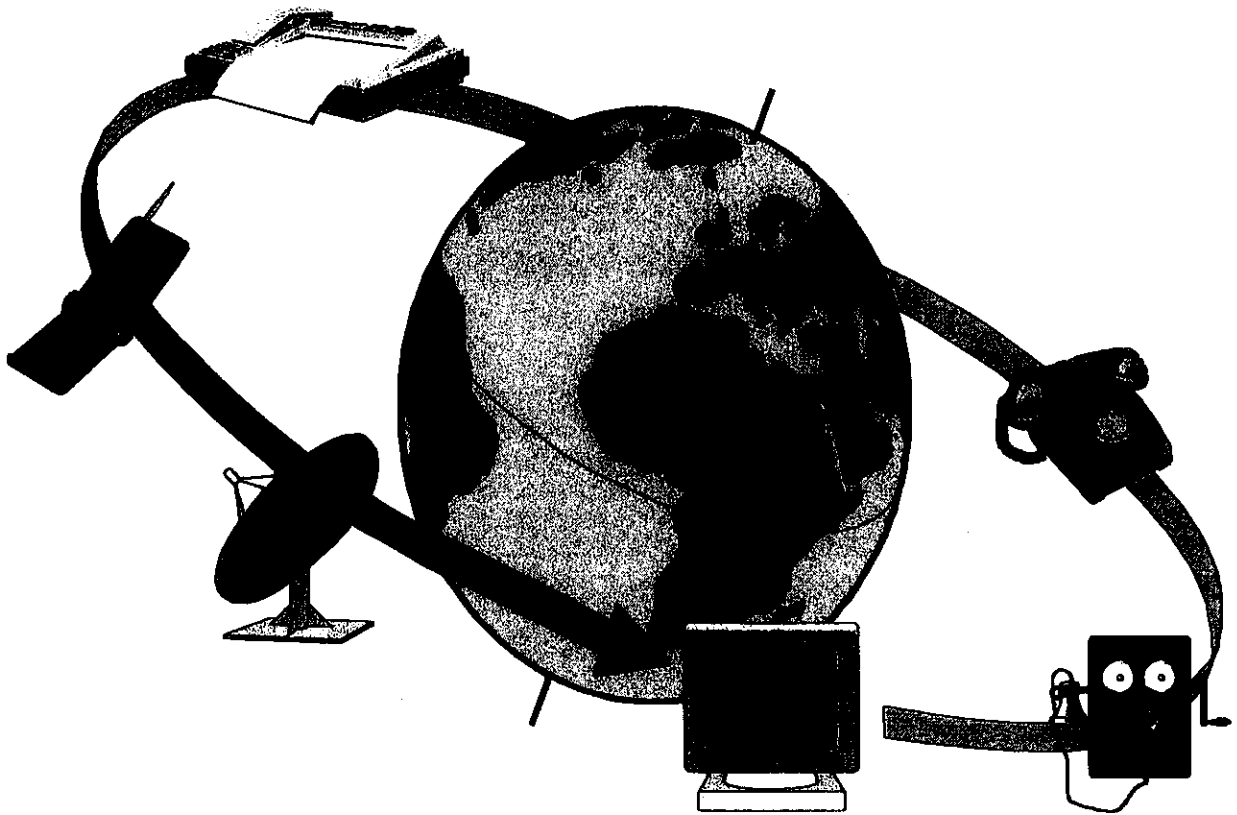


**TELEPHONE REPORT**  
**TO THE**  
**REGULATORY FLEXIBILITY COMMITTEE**  
**OF THE**  
**INDIANA GENERAL ASSEMBLY**



**BY THE**  
**INDIANA UTILITY REGULATORY COMMISSION**

**JULY 1, 1997**

TELEPHONE REPORT  
TO THE  
REGULATORY FLEXIBILITY COMMITTEE  
OF THE  
INDIANA GENERAL ASSEMBLY

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*An analysis of the effects of competition on universal service and on  
pricing of all telephone services under the jurisdiction of the  
Indiana Utility Regulatory Commission.*

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*Submitted by the Indiana Utility Regulatory Commission*

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## 1. INTRODUCTION

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### PURPOSE OF THE REPORT

#### Legislative Mandate

This report to the Regulatory Flexibility Committee of the Indiana General Assembly is mandated by the provisions of P. L. 55-1992, § 1, currently codified as Ind. Code 8-1-2.6-4(c), which specify that:

The commission shall, by July 1, 1993, and each year thereafter, prepare for presentation to the regulatory flexibility committee an analysis of the effects of competition on universal service and on pricing of all telephone services under the jurisdiction of the commission.<sup>1</sup>

The Regulatory Flexibility Committee of the Indiana General Assembly is also required under the provisions of Ind. Code 8-1-2.6-4(d) to:

issue a report and recommendations to the legislative council by November 1, each year that is based on a review of the following issues:

- (1) The effects of competition in the telephone industry and impact of competition on available subsidies used to maintain universal service.
- (2) The status of modernization of the public telephone network in Indiana and the incentives required to further enhance this infrastructure.
- (3) The effects on economic development and educational opportunities of this modernization.
- (4) The current method of regulating telephone companies and the method's effectiveness.
- (5) The economic and social effectiveness of current telephone service pricing.
- (6) All other telecommunications issues the committee deems appropriate.

#### Scope of Report

The Telecommunications Act of 1996 ("TA-96" or "Act"), signed into law on February 8, 1996, will introduce competition into all facets of the telecommunications industry. The TA-96 gave state commissions considerable responsibility to implement the provisions of the Act related

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<sup>1</sup> Senate Enrolled Act No. 222, § 1.

to intrastate telecommunications, particularly local exchange competition and universal service. A great deal of the Commission's time and resources has been devoted to that task over the last year. Thus, the Indiana Utility Regulatory Commission's ("IURC" or "Commission") 1997 report focuses on the Commission's efforts to carry out the goals and objectives of the TA-96.

The report also contains the results of the third year of Ameritech Indiana's alternative regulation plan referred to as "Opportunity Indiana," and an update of the telecommunications industry statistics contained in the four previous reports submitted by the Commission.

## **2. SUMMARY AND CONCLUSIONS**

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The Commission's case load has been dominated this year with the implementation of the Telecommunications Act of 1996, in an effort to bring the benefits of competition to Indiana telecommunications subscribers. The Commission has met all of the relevant statutory deadlines set forth in the TA-96 and in many cases, has issued its orders in advance of the required date. Although the TA-96 has been in effect for almost a year and a half, there is yet no real competition in the local exchange telephone service market. The much-anticipated benefits of competition have been delayed because the ambitious time frames mandated by the Act do not provide adequate time to effectively deal with complex issues and many of the orders of the Federal Communications Commission ("FCC") and Commission have been appealed in federal court. The Commission is confident that we will report considerable progress towards introducing competition in local exchange service in next year's report.

### **Local Exchange Competition**

The Telecommunications Act of 1996 removes various restrictions contained in the Modified Final Judgement ("MFJ"), a 1984 consent decree between AT&T Communications, Inc. ("AT&T") and the U.S. Department of Justice which "broke up" AT&T into Regional Bell Operating Companies ("RBOCs"). The TA-96 imposes obligations and responsibilities on telecommunications carriers that are designed to open monopoly telecommunications markets to competitive entry. State commissions are charged with performing specific regulatory duties under the TA-96 that are meant to initiate pro-competitive policies at the local exchange level. State commissions must also undertake new administrative responsibilities that include advancing the goals of universal service and establishing policies for access to advanced telecommunications services by schools, libraries and health care providers.

Incumbent local exchange carriers ("ILECs") are required to interconnect their respective telephone networks with the networks and facilities of potential local competitors; unbundle their local networks into smaller components; and make their retail services available to competitors for resale. ILECs have an affirmative duty to negotiate the terms, conditions, rates and charges of that interconnection with those competitors. In cases where the parties are unable to reach agreement on all issues, Congress provided two means by which state commissions can resolve the disputes: mediation and arbitration. All agreements must be filed with the appropriate state commission for approval.

The Commission has received 11 requests for arbitration of interconnection agreements and has given final approval to three. Three other requests for arbitration are currently pending before the Commission. In addition to these arbitrated agreements, the Commission has received 11 voluntarily negotiated agreements. The Commission approved six of these agreements and anticipates issuing final orders on the remaining five by late July or early August.

Since enactment of the Telecommunications Act of 1996, the Commission has received 39 requests from companies seeking Certificates of Territorial Authority ("CTA") to provide switched local exchange telecommunications services in competition with incumbent local exchange carriers. As of June 11, 1997, the Commission had granted 23 companies authority to provide some form of local service, i.e., resale, facilities-based, or both.

The TA-96 requires the FCC to promulgate rules and regulations that implement certain interconnection and pricing provisions of the TA-96. On August 8, 1996, the FCC issued its First Report and Order as the first part of its "TA-96 trilogy" of interconnection, universal service and access charge reform, which contained provisions designed to implement the local competition provisions of the TA-96, including certain pricing rules. Under the FCC's pricing rules, state commissions were preempted from using costing methodologies other than those authorized by the FCC. Several parties appealed the order and asked the Court to stay the FCC's First Report and Order. On September 27, 1996, the Court granted a temporary stay of the pricing provisions contained in the FCC's order. The Court has not yet ruled on whether the stay will be permanent, but it heard oral argument on the issue on October 3, 1996.

Under the TA-96, incumbent rural telephone companies are initially exempt from certain interconnection requirements. In Indiana, all ILECs except for Ameritech Indiana and GTE North, Inc. ("GTE") meet one or more of the definitions of rural telephone company contained in the TA-96. Rural telephone companies may wait to receive a bona fide request for interconnection or decide to petition the state commission for a suspension and/or modification of certain interconnection requirements. The Commission has received and acted upon the initial exemption petitions from 35 of the 36 Indiana rural telephone companies. In March 1997, the Commission granted 25 exemptions and denied 10. On April 9, 1997, seven of the ten companies petitioned for reconsideration of the Commission's decision rejecting their exemption requests. The Petition for Reconsideration is pending.



### Universal Service/Access Charge Reform

The TA-96 establishes both federal and state duties regarding universal service in a competitive local exchange market environment. On May 8, 1997, the FCC released its Universal Service Order, the second part of the "trilogy," in which certain determinations were made about the structure of the federal universal service fund under the TA-96. In its order, the FCC addressed funding for schools, libraries and health care providers, as well as the restructure of existing universal service funding mechanisms. As the third part of the "trilogy," the FCC released the Access Charge Reform Order on May 16, 1997.

Under the TA-96 and the FCC's findings in both the Universal Service and Access Charge Reform dockets, state commissions have jurisdiction over aspects of universal service/access charges and additional duties that require Commission action and oversight. In order to understand the FCC's linkage of interstate access charges with the universal service fund and what impact it may have on Indiana's policy of using interstate access rates for intrastate access, the Commission has initiated an investigation into any and all matters relating to universal service and access charge reform.

### Opportunity Indiana Third-Year Results

On June 30, 1994, the Commission issued an order approving a series of settlement agreements involving an alternative regulation plan ("Opportunity Indiana" or "OI") filed by Ameritech Indiana. The company received increased regulatory flexibility through December 31, 1997, with respect to the provision and pricing of its telecommunications services. Ameritech Indiana has filed a petition with the Commission to continue the plan beyond its present expiration date.

Under the terms of the plan, Ameritech eliminated the Touch-Tone charge for both residential and business customers. In addition the company phased out, in four steps over two years, the charge residential and single-line business customers pay for intrastate access to long distance companies. This charge was also reduced for multi-line business customers.

Since the adoption of the Opportunity Indiana order, Ameritech Indiana has made 379 tariff filings under the flexible regulatory scheme. Of these filings, 143 were associated with the rates and charges contained in the local exchange tariffs, while the remaining 236 affected access rates and charges.

Under OI, Ameritech Indiana makes a contribution of \$5 million per year (\$15 million to date) to an independent non-profit organization, the Corporation for Educational Communications ("CEC"). CEC was established to provide grants for the planning, development, deployment and effective use of interactive video distance learning and other advanced communications services that enhance the quality and availability of education in Indiana. CEC's goal is to help improve the quality, availability and economics of classroom instruction. The CEC is implementing a plan to support the offering of switched interactive video distance learning service to accredited public, private and parochial schools that serve grades 7 through 12 that are located in Ameritech Indiana's service area.

To advance the goal of universal service, Opportunity Indiana provides that Ameritech Indiana will waive certain nonrecurring charges associated with initiating telephone services for new customers living in geographic areas with below-average telephone service penetration rates, during a preselected 30-day period each year (through 1997). The initial waiver was offered to 42,000 potential customers in November 1994 and attracted 1,516 new subscribers (approximately 3.5 % of potential subscribers). Approximately 25 % of the customers who started service under the plan over the last 30 months remain on the network.

#### RBOC Entry Into InterLATA Long Distance

Prior to passage of the TA-96, the RBOCs were prohibited from providing interLATA service by the terms of the MFJ. For telecommunications service providers, the core of the TA-96 is a *quid pro quo* from the RBOCs; i.e., the RBOCs will be allowed to compete in the long distance and manufacturing business, in return for which they must open their markets to local competition. For an RBOC to enter the interLATA market it must demonstrate compliance with the so-called "14-point checklist" in one of two ways. It must have at least one binding interconnection agreement that has been approved by the state commission, and currently be providing access and interconnection to its network facilities for one or more unaffiliated facilities-based local competitors. The competitor must actually be providing local exchange service to both residential and business customers in the RBOC's territory. In the second option, the RBOC must demonstrate compliance through a "Statement of Generally Available Terms ("SGAT"), which identifies the steps the RBOC has taken to make it possible for facilities-based local competitors to interconnect with its facilities and to obtain the services, functionalities and elements they need in order to offer competitive local exchange services.

The RBOC desiring to provide interLATA service within its region must receive authority to do so from the FCC. Prior to issuing its written determination, the FCC must consult with both the U.S. Attorney General and the applicable state utility commission.

### Financial

The telecommunications services industry in Indiana represents a market with intrastate gross revenues for 1996 of \$2.34 billion. This represents an increase in revenues of 4.78% over the 1995 level. Local Exchange Carrier ("LEC") intrastate operations accounted for \$1.43 billion or 61.21% of the telecommunications gross intrastate revenues in 1996. The LECs' share of the total telecommunications industry revenues has been gradually decreasing.

Facilities-based interexchange carriers ("IXCs") accounted for 13.89% of the gross intrastate telecommunications services revenues. AT&T Communications' share of the IXC facilities-based intrastate gross revenues amounted to 70.0% in 1996 up from 68.0% in 1995 but down from 80.0% in 1992.

### 3. LOCAL EXCHANGE COMPETITION

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On February 8, 1996, President Clinton signed the Telecommunications Act of 1996 into law. The Act is a landmark piece of legislation designed to establish a national policy framework to implement fundamental change in the structure and dynamics of the telecommunications industry. The Act removes various restrictions contained in the Modified Final Judgement ("MFJ"), a 1984 consent decree between AT&T Communications, Inc. ("AT&T") and the U.S. Department of Justice which "broke up" AT&T into Regional Bell Operating Companies ("RBOCs"). For telecommunications service providers, the core of the TA-96 is a *quid pro quo* from the RBOCs; i.e., the RBOCs will be allowed to compete in the long distance and manufacturing business, in return for which they must open their markets to local competition.

The TA-96 affects nearly all areas of intrastate telecommunications services either directly through actions required of the states or indirectly through rulemakings required of the Federal Communications Commission ("FCC"). State commissions are charged with performing specific regulatory duties under the TA-96 that are meant to initiate pro-competitive policies at the local exchange level. State commissions must also undertake new administrative responsibilities that include advancing the goals of universal service and establishing policies for access to advanced telecommunications services by schools, libraries and health care providers.

Since last year's report, the Commission has conducted arbitrations; approved arbitrated and voluntarily negotiated interconnection agreements; continued its investigation of competition within the local exchange areas of Indiana, which had been commenced prior to enactment of the TA-96, Cause No. 39983;<sup>2</sup> and initiated several new investigations. The following progress has been made in the local telephone exchange competition investigation and implementation of the TA-96:

- the Commission conducted and completed seven interconnection agreement arbitration requests involving numerous disputed issues to allow entry into local telephone service
- the Commission reviewed for compliance and approved eleven voluntarily negotiated interconnection agreements to allow entry into local telephone service

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<sup>2</sup> In re: The Matter of the Investigation on the Commission's Own Motion Into Any and All Matters Relating to Local Telephone Exchange Competition Within the State of Indiana, Cause No. 39983, initiated June 15, 1994.

- a proceeding was opened on October 9, 1996, to begin compiling information and data about Ameritech Indiana's anticipated filing for interLATA authority under Section 271 of the TA-96 (Cause No. 40641) to allow Ameritech Indiana to enter the long distance market
- an order was issued December 18, 1996, in Cause No. 39983 that clarified certain conditions necessary to allow the resale of local exchange services by alternative local exchange carriers ("ALECs"); ordered the incumbent local exchange carriers ("ILECs") to file wholesale service tariffs; and established cost of interconnection dockets for Ameritech Indiana (Cause No. 40611) and GTE North, Inc. (Cause No. 40618)
- a task force of interested industry parties met and filed a report containing recommendations for the development and selection of a long-term number portability solution on January 8, 1997, in Cause No. 39983
- an investigation into any and all matters related to universal service and access charge reform was initiated on March 11, 1997, in Cause No. 40785
- meetings with schools, libraries, health care providers and telecommunications carriers concerning the universal service provisions of the TA-96 were held on March 27, 1997, and June 11, 1997.

**INVESTIGATION ON THE COMMISSION'S OWN MOTION - CAUSE NO. 39983**

On June 15, 1994, the Commission commenced an investigation of any and all matters relating to local telephone exchange competition within the state of Indiana. This "generic" investigation has been the vehicle for the review and introduction of many aspects of local exchange competition in Indiana. In early 1996, the Executive Committee on Local Exchange Competition convened in this cause filed a Final Report that included discussion and recommendations on several broad policy topics: Economic, Regulatory, Public Policy and Technology Issues. On July 1, 1996, the Commission issued an Interim Order on Bundled Resale and Other Issues ("Resale Order") in this cause, setting forth the terms and conditions for permitting the resale of local exchange services and ordering affected local exchange companies to file their wholesale tariffs on or before July 24, 1996. The Resale Order provided a transitional framework for opening the local exchange service market to resale.

### **Wholesale Tariffs**

The TA-96 requires ILECs "to offer for resale at wholesale rates any telecommunication service that the carrier provides at retail to subscribers who are not telecommunications carriers."<sup>3</sup>

Under the TA-96 the wholesale rates are based on retail rates "excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier."<sup>4</sup> In the Resale Order, the Commission provided the general structure for the wholesale tariffs, and on August 8, 1996, the FCC set forth further determinations about the resale of local exchange services by the ILECs in its "Interconnection Order."

On December 18, 1996, the Commission established an across-the-board interim wholesale discount from existing retail rates subject to true-up for Ameritech Indiana of 21% and for GTE of 17%, and required Ameritech Indiana and GTE to submit new wholesale tariffs.<sup>5</sup>

The Commission expects to issue an order later this summer approving interim wholesale tariffs of Ameritech Indiana and GTE. Additionally, the Commission plans to initiate hearings to establish permanent wholesale rates for Ameritech Indiana and GTE.

### **INTERCONNECTION AGREEMENTS**

The TA-96 requires ILECs to interconnect their respective telephone networks with the networks and facilities of potential local competitors, unbundle their local networks into smaller components and make their retail services available to competitors for resale. ILECs have an affirmative duty to negotiate the terms, conditions, rates and charges of interconnection with potential competitors.<sup>6</sup> In cases where the parties are unable to reach agreement on issues involving interconnection, Congress provided state commissions the means to resolve the disputes

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<sup>3</sup> Section 252(d)(3) of the TA-96.

<sup>4</sup> Ibid.

<sup>5</sup> Under the TA-96, incumbent rural telephone companies are automatically exempt from certain interconnection requirements, including resale at wholesale rates. In Indiana, all ILECs except for Ameritech Indiana and GTE North, Inc. meet one or more of the definitions of rural telephone company contained in the TA-96.

<sup>6</sup> Congress established pricing standards for the prices which the competitor must pay the ILEC and, in limited circumstances, for the prices which the ILEC must pay the competitor. Most of these pricing standards are contained in Section 252(d) of the Act.

through either mediation or arbitration. Once agreements have been reached, either through voluntary negotiation or arbitration, those agreements must be filed with the appropriate state commission for approval.<sup>7</sup> The Act sets forth certain procedural requirements for negotiations, arbitrations and for review and approval or rejection of the agreements.

The Commission contracted with an outside Arbitration Facilitator, Ms. Mary Hinrichs, to arbitrate unresolved issues, with the assistance of members of the Commission's technical staff.

As of June 17, 1997, the Commission had received 11 requests for arbitration under the Telecommunications Act of 1996 (5 involved Ameritech Indiana; 5 involved GTE; and 1 involved Cincinnati Bell Telephone ("CBT")).<sup>8</sup> The Commission has given final approval to three of Ameritech Indiana's arbitration agreements, those with TCG Indianapolis ("TCG"), AT&T and Sprint; two are pending, those with MCI Telecommunications Corporation ("MCI") and Intermedia. However, Ameritech Indiana has appealed portions of the IURC's final orders on its arbitrated agreements with AT&T and Sprint in the United States District Court for the Southern District of Indiana, pursuant to the TA-96. A more detailed discussion of Ameritech Indiana's appeals appears in Appendix 3-C.

GTE's interconnection agreements with AT&T, MCI and Sprint are currently on hold, in part due to the lack of a single, jointly agreed-upon contract, executed and signed by both parties. GTE has appealed the Commission's initial orders on all three proposed agreements in United States District Court for the Northern District of Indiana, again pursuant to Section 252(e)(6) of the TA-96. A more detailed discussion of GTE's appeals also appears in Appendix 3-C.

There are three remaining requests for arbitration currently pending before the Commission: Intermedia Communications, Inc. with Ameritech Indiana; ICG Telecom Group, Inc. with GTE; and KMC Telecom, Inc. with GTE. The Commission anticipates issuing an initial arbitration order for Intermedia and Ameritech Indiana in July 1997. ICG and GTE filed a stipulated agreement that

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<sup>7</sup> These agreements may be relatively simple and resolve a small number of issues, or even a single issue; alternatively, they may resolve over one hundred issues and cover several hundred pages.

<sup>8</sup> As of December 1996, Cincinnati Bell served only 4,077 access lines in two exchanges in certain Indiana suburbs of Cincinnati, Ohio. The Indiana Commission has historically adopted or concurred in the regulatory policies and procedures of the Public Utilities Commission of Ohio (PUCO) regarding Cincinnati Bell, as that Commission exercised jurisdiction over the majority of the Company's regulated telephone services, rates and charges. Accordingly, the Indiana Commission has deferred action in this arbitration proceeding, pending resolution by the PUCO of the unresolved issues between ICG and CBT.

is purported to resolve all disputed issues; the Commission is currently reviewing that agreement. KMC and GTE filed a stipulation asking that the arbitration be suspended for an interim two-month period, pending further negotiations.

In addition to the arbitrated agreements, the Commission has received 11 voluntarily negotiated agreements between Ameritech Indiana and potential local competitors, and 5 between GTE and potential local competitors. Ameritech Indiana's voluntarily negotiated agreements are with Time Warner Communications of Indiana, L.P.; MFS Intelenet of Indiana, Inc. (now a part of World Com Corp.); and various cellular and wireless providers. GTE's agreements are with various cellular and wireless providers. As of June 17, 1997, the Commission had approved all but five of these agreements; the Commission anticipates issuing final orders on the five remaining negotiated agreements by late July or early August.

The Commission has met all of the relevant statutory deadlines set forth in the TA-96 regarding negotiated and arbitrated agreements and, in many cases, has issued its orders in advance of the required date. See Appendix 3-A for a complete listing of all requests for interconnection agreements filed with the Commission as of June 16, 1997.

### Cost Studies

Under the TA-96, two different costing standards are used to determine an ILEC's rates. For interconnection, unbundled network elements, transport and termination of traffic and collocation, a forward-looking cost standard is used; an avoided cost standard is used to determine rates for wholesale services.

The prices established for interconnection, unbundled network elements, transport and termination of traffic and collocation must be just and reasonable; i.e., based on forward-looking costs that may include a reasonable profit. The compressed schedules established by the Act for arbitrations for interconnection did not allow the Commission sufficient time to evaluate Ameritech Indiana's or GTE's cost studies and establish permanent rates. Thus, the Commission set interim rates subject to true-up pending further investigation. The Commission set a procedural schedule and is currently conducting hearings in Cause Nos. 40611 and 40618, respectively, to determine the appropriate rates for interconnection, service, unbundled network elements, transport and termination and collocation for these two ILECs.



Wholesale rates are to be determined by identifying certain costs in the retail rate that will be avoided if that service is available for resale. As noted earlier, the Commission set interim discount rates for Ameritech Indiana and GTE North, Inc. that are subject to true-up, upon completion of comprehensive cost analyses. A schedule for these analyses has not yet been determined.

### **Federal Court Appeals**

The principal goal of the TA-96 is the introduction of competition into the telecommunications industry, particularly into local telephone service. To accomplish this goal as expeditiously as possible, the Act mandates an ambitious schedule for the FCC and state commissions. However, the short time frames do not allow adequate time to effectively deal with complex costing issues. In addition, orders of the FCC and state commissions have been appealed in federal court. This is understandable because of the large financial gains or losses that are at stake; however, these appeals delay the process of bringing competition to the telecommunications industry. These impediments to progress are some of the reasons that the much-anticipated benefits of competition are yet unavailable.

### **Appeal of FCC's First Report & Order to 8th Circuit Court of Appeals**

The TA-96 requires the FCC to promulgate rules and regulations that implement the interconnection and pricing provisions of the TA-96. In response to those mandates, on August 8, 1996, the FCC issued its First Report and Order (the first part of its "TA-96 trilogy" of interconnection, universal service and access charge reform), which contained provisions designed to implement the local competition provisions of the TA-96, including certain pricing rules. Under the FCC's pricing rules, state commissions were preempted from using costing methodologies other than those authorized by the FCC. If a state commission was unable or unwilling to complete a cost review in compliance with the new rules, the FCC established proxy rates that the state commissions were required to adopt.

Several parties (which primarily included ILECs and state utility commissions) appealed the First Report and Order, arguing that the FCC exceeded its authority in promulgating pricing rules. On September 11, 1996, the Judicial Panel on Multidistrict Litigation consolidated all of the appeals in the 8th Circuit Court of Appeals in St. Louis, Missouri. Although many of the petitioners objected to the FCC's regulations entirely, most petitioners challenged the pricing rules established in the First Report and Order. Iowa Utils. Bd., et al. v. FCC, 109 F.3d 418, 422 (8th

Cir. 1996). Specifically, the petitioners appealed the FCC's mandate that state utility commissions employ the "total element long-run incremental cost" ("TELRIC") method to calculate the costs an ILEC incurs in making its facilities available to competitors.<sup>9</sup> The petitioners also objected to the FCC's proxy rates that are to be used by state utility commissions which elect not to use the TELRIC method.<sup>10</sup>

In addition, the petitioners challenged the FCC's "pick and choose" rule, which the petitioners argued would allow carriers seeking market entry to "pick and choose" the lowest-priced individual elements and services they need from among all of the previously approved agreements between that Local Exchange Carrier ("LEC") and other carriers.<sup>11</sup> This practice, the petitioners argued, would undermine the congressional preference for negotiated agreements because an agreement would never be finally binding since any carrier could demand that its agreement be modified to reflect the lower cost negotiated in a separate agreement between the LEC and another carrier.<sup>12</sup>

Based on the foregoing arguments, the petitioners asked the Court to stay the FCC's First Report and Order. On September 27, 1996, the court granted a temporary stay of the pricing provisions and the "pick and choose" rule contained in the FCC's order. The Court stated: "In this, our first look at the issue, we are skeptical that the FCC's roundabout construction of the statute could override what, at first blush, appears to be a rather clear and direct indication in subsections 252(c)(2) and 252(d) that the state commissions should establish prices."<sup>13</sup> The Court has not yet ruled on whether the stay will be permanent, but heard oral arguments on the issue on October 3, 1996.

#### *Appeal of Arbitrated Interconnection Orders in Federal Court*

Five of the Commission's arbitration proceedings are on appeal to the United States District court pursuant to Section 252(e)(6) of the TA-96. GTE is appealing arbitration decisions involving

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<sup>9</sup> Iowa Utils. Bd., et al. v. FCC, 109 F.3d 418, 422 (8th Cir. 1996).

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*, p. 423.

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*, p. 424.

its interconnection with AT&T, MCI and Sprint. In each appeal, GTE challenges nine (9) aspects of the IURC's orders including, but not limited to: (1) the IURC's failure to set prices based on GTE's own rates and costs; (2) the IURC's application of FCC pricing rules and proxies; and (3) the IURC's imposition of an unrelated interconnection agreement between AT&T and Ameritech Indiana.

Ameritech Indiana is appealing IURC orders that approved interconnection agreements with AT&T and Sprint. In the AT&T appeal, Ameritech Indiana argues primarily that it will receive inadequate compensation for certain services and that the IURC erred in adopting AT&T's anti-publicity clause. In the Sprint appeal, Ameritech Indiana contests the requirement that it make available to Sprint certain promotional offerings at the same rate Ameritech Indiana charges its own customers. Attached as Appendix 3-C is a summary that reflects the status of each case as of June 19, 1997.

#### **LOCAL EXCHANGE CTAs**

In addition to an interconnection agreement with the ILEC, companies that intend to compete in the local exchange market must request and be granted a Certificate of Territorial Authority ("CTA") from the IURC. Since enactment of the Telecommunications Act of 1996, the Commission has received thirty-nine (39) requests from companies seeking CTAs to provide switched local exchange telecommunications services in competition with incumbent local exchange carriers. Thirty-eight (38) of the thirty-nine (39) companies requested authority to resell bundled local exchange services and fourteen (14) of these also requested facilities-based authority. One company requested only a facilities-based CTA.

As of June 11, 1997, the Commission had granted twenty-three (23) companies authority to provide some form of local service; i.e., resale, facilities-based, or both. Refer to Appendix 3-B for a summary report on the status of local service CTA applications filed by each company.

At the present time, TCG is the only company that has obtained the three items required to provide local service--an approved interconnection agreement with Ameritech Indiana, an approved CTA and approved tariffs. TCG recently notified the Commission that the company was in service, but the Commission is not aware of any customers it has signed.

**RURAL LEC PETITIONS UNDER THE TA-96**

The Act allows smaller ILECs greater flexibility in meeting the requirements of access and interconnection. Incumbent rural telephone companies are automatically exempt from the access and interconnection obligations of the TA-96. In Indiana, 36 of the 38 ILECs, all except for Ameritech Indiana and GTE North, Inc., meet the definition of rural telephone company contained in Section 251(f) of the TA-96.<sup>14</sup>

Under Section 251(f) of the TA-96, rural telephone companies may wait to receive a bona fide request for interconnection or decide to petition the state commission for a suspension and/or modification of certain interconnection requirements. If a rural telephone company receives a bona fide request for interconnection, the state commission must conduct an inquiry to determine whether to terminate the interconnection exemption given automatically under the TA-96. Within 120 days of receiving notice of the interconnection request, the state commission must decide if the interconnection request is not unduly economically burdensome, technically feasible, and consistent with the Act's universal service provisions.<sup>15</sup> If the exemption is terminated, the state commission must establish an implementation schedule for compliance with the interconnection request.

If a rural telephone company chooses to file for a suspension and/or modification of the interconnection requirements of the TA-96, a petition is to be filed with the state commission. To grant a petition for suspension and/or modification, the state commission must determine, within 180 days of the date of the petition, (A) that such suspension and/or modification is necessary: (1) to avoid a significant adverse economic impact on users of telecommunications services generally; (2) to avoid imposing a requirement that is unduly economically burdensome; or (3) to avoid

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<sup>14</sup> Rural Telephone Company. - The term 'rural telephone company' means a local exchange carrier operating entity to the extent that such entity -  
(A) provides common carrier service to any local exchange carrier study area that does not include either (i) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or (ii) any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;  
(B) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;  
(C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or  
(D) has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996.

<sup>15</sup> Telecommunications Act of 1996, Section 251(f)(B).

imposing a requirement that is technically infeasible; and (B) that such request is consistent with the public interest, convenience and necessity.<sup>16</sup>

As of the date of this report, the Commission has received and acted upon the initial exemption petitions from 35 of Indiana's 36 rural telephone companies. In March 1997, the Commission granted 25 exemptions and denied 10: Clay County Rural Telephone Cooperative, Inc., Daviess-Martin County Rural Telephone Corporation, Hancock Rural Telephone Corporation, Mulberry Cooperative Telephone Company, New Paris Telephone Company, Perry-Spencer Rural Telephone Cooperative, Pulaski-White Rural Telephone Cooperative, S&W Telephone Company, Southeastern Indiana Rural Telephone Cooperative and Washington County Rural Telephone Company. On April 9, 1997, seven of the ten companies petitioned for reconsideration of the Commission's decision rejecting their exemption requests.<sup>17</sup> The Petition for Reconsideration is pending.

### **PAYPHONES/FCC PREEMPTION**

Section 276 of the Telecommunications Act of 1996 addressed the provision of payphone services.<sup>18</sup> It required the FCC, within nine months of enactment of the Act, to prescribe regulations designed to encourage competition among payphone providers and promote widespread deployment of payphones. To this end, the FCC issued a series of related implementation orders significantly changing the payphone marketplace.<sup>19</sup>

The FCC's Report and Order noted that various barriers, regulatory, structural, economic and technological, stood in the way of a fully competitive marketplace.<sup>20</sup> Via its implementation

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<sup>16</sup> Ibid., Section 251(f)(2).

<sup>17</sup> See In re the Matter of the Request of [33 Rural Telephone Companies] for Suspension of Certain Interconnection Obligations pursuant to Sections 251(F)(2) of the Telecommunications Act of 1996, Docket No. 40626, March 20, 1997.

<sup>18</sup> As defined by Section 276(d) of the Act, payphone services means "the provision of public or semi-public pay telephones, the provision of inmate telephone service in correctional institutions, and any ancillary services."

<sup>19</sup> See Report and Order in CC Docket Nos. 96-128 and 91-35, dated September 20, 1996 ("Report and Order"); Order on Reconsideration in CC Docket Nos. 96-128 and 91-35, dated November 8, 1996 ("Order on Reconsideration"); Order in CC Docket No. 96-128, dated April 4, 1997 ("Clarification Order"); and, Order in CC Docket No. 96-128, dated April 15, 1997 ("Order Granting Limited Waiver").

<sup>20</sup> Report and Order, ¶3 @ p 3.

orders, the FCC has sought to remove these barriers while carrying out Congress' mandate set forth in Section 276 of the Act. The desired effect of these and other changes required by the FCC has been to ensure that ILEC payphone services are provided on an equivalent basis with those of Independent Payphone Providers ("IPPs").

The FCC's orders concluded that all payphone service providers should be compensated for "each and every completed intrastate and interstate call" and established a mechanism for doing so. To be eligible for this compensation beginning on April 15, 1997, ILECs were required, among other things, to terminate any revenues from non-payphone sources flowing to their payphone operations. This included removal of any payphone costs being recovered through the ILECs' intrastate and interstate Carrier Common Line Charges ("CCLC"). The FCC's rulemakings also reclassified ILEC payphones as Customer Premises Equipment ("CPE"). In doing so, the FCC required ILECs to transfer this payphone CPE to unregulated status on the ILECs' books of accounts. The FCC's orders also noted that ILECs have historically used various central office functions and features for themselves; e.g., coin line, but have not necessarily provided such functionalities to IPPs. As a result, the FCC directed the ILECs to tariff certain access services and features for use by IPPs with such functionalities priced at cost.

Looking forward, the FCC has also directed that beginning October 7, 1997, the local coin drop rate should be priced based on market conditions rather than rates established by the IURC. Thus, the existing \$0.25 rate cap charged by most Indiana ILECs for a local payphone call will no longer be applicable and the price for such a call could increase based on market conditions.<sup>21</sup>

To comply with certain of the FCC's payphone directives it was necessary for ILECs to modify their intrastate payphone tariffs accordingly. As a result, several Indiana ILECs filed revised tariff sheets for approval under the Commission's 30-Day Filing procedures.<sup>22</sup> However, prior to Commission action on these filings, the Indiana Payphone Association ("IPA") filed a petition, which was docketed as Cause No. 40830. The IPA's petition seeks a Commission investigation into the proposed ILEC payphone compliance tariffs and requests that the

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<sup>21</sup> ¶56 of the FCC's Report and Order indicated that five states had market-based coin drop rates. The market rates in Iowa, Nebraska, North Dakota and Wyoming were \$0.35 while the market-based price in South Dakota was \$0.25.

<sup>22</sup> Pursuant to the Commission's June 30, 1994, Order in Cause No. 39705 (Opportunity Indiana plan), Indiana Bell Telephone Company, Inc., d/b/a Ameritech Indiana tariffs are processed differently than tariffs of other ILECs. Ameritech filed tariff sheets under this modified tariff process which it believes comply with the federal mandates. However, no specific Commission determination has been made.

Commission hold the effectiveness of such tariffs in abeyance until such time as the Commission completes its investigation.

Specifically, IPA's petition states that ILEC-proposed rates are not cost-based as required by the FCC; ILECs have not demonstrated that they have fully removed all subsidies accruing to their payphone operations; ILECs have not sufficiently unbundled features and functions such as call screening, blocking and answer supervision; and ILECs have not demonstrated that their proposed tariffs are nondiscriminatory.

GTE North Inc. filed a response in opposition to IPA's petition.<sup>23</sup> Subsequently, on May 30, 1997, IPA filed a reply to GTE as well as a motion for attorney's conference. IPA's motion seeks a meeting between the parties to discuss a procedural schedule for this case as well as its interrelationship with another open payphone docket, Cause No. 38158. The Commission is presently reviewing the filings made in Cause No. 40830 to determine how to proceed.

### **NUMBER PORTABILITY**

The FCC's Telephone Number Portability Orders<sup>24</sup> were designed to implement Section 251(b)(2)<sup>25</sup> of the Telecommunications Act of 1996. The purpose of the Orders is to allow consumers to change their local exchange service provider and retain their telephone number without any loss of service quality.

In its orders, the FCC mandated that long-term Telephone Number Portability ("LTNP") be implemented in phases, beginning with those exchanges located in the country's top 100 Metropolitan Statistical Areas ("MSAs") between October 1, 1997, and December 31, 1998. In Indiana there are 5 MSAs that are scheduled for implementation of LTNP in 1998: Indianapolis; Gary; Fort Wayne; Cincinnati, OH; and Louisville, KY. All other ILECs in Indiana have 6 months

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<sup>23</sup> Response Of GTE North Incorporated and Contel of the South, Inc., d/b/a GTE Systems of Indiana (formerly AllTel Indiana, Inc.), dated May 5, 1997.

<sup>24</sup> FCC 96-286, released July 2, 1996, "In the Matter of Telephone Number Portability," First Report and Order and Further Notice of Proposed Rule Making (First Report), and FCC 97-74, released March 11, 1997, First Memorandum opinion and Order on Reconsideration.

<sup>25</sup> Section 251 (b)(2) of TA96 specifies that a LEC has the duty "... to provide, to the extent technically feasible, number portability in accordance with the requirements prescribed by the Commission."

after receipt of a bona fide request to provide LTNP, unless they have applied for and received an exemption modifying their obligation pursuant to Section 251(f)(2)<sup>26</sup> of the TA-96.

In its July 1, 1996, order in Cause No. 39983, the Commission directed that a task force be formed to review and consider the technological issues related to LTNP and the associated cost of each technology.<sup>27</sup> The Commission further instructed the task force to review and consider the Stipulation and Settlement Agreement filed with the Illinois Commerce Commission ("ICC") in the Illinois LTNP case.<sup>28</sup> The Indiana task force filed its report with the IURC on January 8, 1997, concluding that the Stipulation and Settlement Agreement filed with and approved by the ICC was the most logical and efficient solution to implement LTNP in Indiana.

The task force recommended that the technology selected in the Illinois Stipulation and Settlement Agreement, called Location Routing Number ("LRN"), would be the best solution for implementing LTNP for Indiana. LRN is consistent with the criteria set by the FCC in its orders, and is being selected by various other states throughout the United States. LRN works by assigning a routing number that is provided by databases to a telephone number. This assignment allows the network to terminate the call to the appropriate carrier, ILEC or ALEC.

The databases needed to support LRN, as mandated by the FCC, would be provided by a neutral third party administrator. The task force recommended that a Limited Liability Company ("LLC") be formed by industry company members that have an interest in overseeing the performance of the administrator. The task force also recommended that Indiana participate in the database that has been selected for Illinois rather than one that is specific only to Indiana. The task force will continue to meet on an as-needed basis to ensure that Indiana meets the deadline specified by the FCC.

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<sup>26</sup> Section 251(f)(2) of the TA-96 allows a local exchange carrier with fewer than 2% of the nation's subscriber lines installed in the aggregate nationwide may petition a state commission for a suspension or modification of the application of certain requirements imposed on local exchange carriers in the TA-96.

<sup>27</sup> Cause No. 39983, paragraph K, In the Matter of the Investigation on the Commission's own Motion into any and all matters relating to Local Telephone Exchange Competition within the State of Indiana. Interim Order on Bundled Resale and Other Issues, Approved July 1, 1996.

<sup>28</sup> The Commission specifically instructed task force participants "to review and consider the 'Stipulation and Settlement Agreement' that was attached to AT&T's June 14, 1996 filing" regarding a number portability task force. The Stipulation and Settlement Agreement was approved by the Illinois Commerce Commission (ICC) in Docket No. 96-0089, the ICC's long-term number portability case.



In determining the cost of implementing LRN technology in Indiana, ILECs with exchanges located within the designated MSAs that plan to continue to serve these areas provided one-time cost estimates of \$42.5 million to implement LTNP through December 1998.

#### 4. UNIVERSAL SERVICE

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Universal service has always been an important issue in the telecommunications industry. Although no standard definition exists at the federal level, the concept of universal service often assumes the widespread availability of certain telephone services at reasonable rates.<sup>29</sup> In Indiana, the General Assembly has declared that "[t]he maintenance of universal telephone service is a continuing goal of the commission in the exercise of its jurisdiction."<sup>30</sup>

The TA-96 seeks to advance and preserve universal service by empowering the FCC to develop a minimum definition of universal service and establish federal support mechanisms. States will remain responsible for implementing universal service in intrastate services.

#### **UNIVERSAL SERVICE FUND/ACCESS CHARGE REFORM**

Sections 254 and 214(b) of the TA-96 establish both federal and state duties regarding universal service in a competitive local exchange market environment. On March 8, 1996, the FCC published a notice<sup>31</sup> establishing a Federal-State Joint Board and requesting comment to (1) define the services that will be supported by federal universal service support mechanisms; (2) define those support mechanisms; and (3) otherwise recommend change to the [FCC's] regulations to implement the universal service directives of the TA-96. The Federal-State Joint Board submitted its recommendations to the FCC concerning the future of the federal universal service fund on November 8, 1996. On May 8, 1997, the FCC released its Report and Order in CC Docket No. 96-45 in which certain determinations were made about the structure of the federal universal service fund under the TA-96. In its Report and Order, the FCC addressed funding for schools, libraries and health care providers, as well as the restructure of existing universal service funding mechanisms.

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<sup>29</sup> In 1934, without actually using the phrase "universal service," Congress declared the following:  
"[T]he Federal Communications Commission shall regulate interstate telecommunications service 'so as to make available, so far as possible, to all people of the United States a rapid, efficient, Nationwide, and world-wide wire and radio communications service with adequate facilities at reasonable charges, for the purpose of the national defense, . . .'"  
Communications Act of 1934, ch. 652, SECT. 1, 48 Stat. 1064 (1934) ((current version at 47 U.S.C. SECT. 151) (1982)).

<sup>30</sup> I.C. 8-1-2.6-1(1).

<sup>31</sup> In re the Matter of Federal-State Joint Board on Universal Service, CC Docket 96-45, Released March 8, 1996.

In addition to the universal service Report and Order and as part of its "TA-96 trilogy" of interconnection, universal service and access charge reform, the FCC released the Access Charge Reform - First Report and Order in CC Docket No. 96-262 on May 16, 1997.

Under the TA-96 and the FCC's findings in both the Universal Service and Access Charge Reform dockets, state commissions have jurisdiction over aspects of universal service/access charges and additional duties that require Commission action and oversight. On March 11, 1997, the Commission issued a legal notice initiating an investigation on the Commission's own motion into any and all matters relating to Access Charge Reform and Universal Service Reform in Cause No. 40785. On March 26, 1997, the Commission issued an order in Cause No. 40785 outlining the purpose of the investigation: to allow the Commission to hear and consider evidence pertinent to any and all matters related to universal service, access charges and other related issues within the state of Indiana, and to allow all potentially affected parties to participate in that process.<sup>32</sup> To facilitate the gathering of information in this cause, the Commission has appointed a telecommunications consultant, Mr. Paul Hartman of Hartman and Associates, as an agent of the Commission. Mr. Hartman is responsible, with the assistance of the Commission's staff, for conducting the investigation as outlined by the Commission.

The FCC's Universal Service Order and Access Reform Order total over 1000 pages of discussion and conclusions plus several hundred pages of Appendices. In the following summaries, the Commission has done its best to represent the FCC's decisions accurately and in a consistent manner; for further information the reader is referred to the FCC's complete orders.

**Summary of Universal Service Order - CC Docket No. 96-45**

**Schools and Libraries:** The FCC adopted the Federal-State Joint Board's recommendations for providing eligible schools and libraries discounts on the purchase of all commercially available telecommunications services, Internet access and internal connections. Eligible schools and libraries will enjoy discounts ranging from 20% to 90% (see following table), with the higher discounts being provided to the most disadvantaged schools and libraries and those in high-cost areas. Total expenditures for universal service support for schools and libraries is capped at \$2.25

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<sup>32</sup> In re the Matter of the Investigation on the Commission's Own Motion Into Any and All Matters Relating To Access Charge Reform and Universal Service Reform Including, But Not Limited To, High Cost or Universal Service Funding Mechanisms Relative To Telephone and Telecommunications Services Within The State of Indiana Pursuant to: I.C. 8-1-2-51, 58, 59, 69; 8-1-2.6 Et Seq., and Other Related State Statutes, As Well As The Federal Telecommunications Act of 1996 (47 U.S.C. Sec. 151, Et. Seq.), Cause No. 40785, issued March 26, 1997.

billion per year, with a rollover into following years of funding authority, if necessary, for funds not disbursed in any given year.

DISCOUNT MATRIX			COST OF SERVICE (estimated % in category)		
			low-cost (67%)	mid-cost (27%)	highest cost (5%)
HOW DISADVANTAGED?	< 1 (3%)		20	20	25
Based on % of	1-19 (31%)		40	45	50
students in the	20-34 (19%)		50	55	60
national school lunch	35-49 (15%)		60	65	70
program (estimated	50-74 (16%)		80	80	80
% of US schools in	75-100 (16%)		90	90	90
category).					

The rules implementing the schools and libraries discount program become effective at the start of the 1997-1998 school year, and fund support will begin payout on January 1, 1998. As a condition of federal universal service support for schools and libraries in Indiana, the Commission must establish intrastate discounts at least equal to the discounts on interstate services. In addition, the Commission acts as the fund administrator in determining whether a private library is eligible to receive federal universal service funding; the lowest corresponding price if the intrastate price is disputed; or if the lowest corresponding price is compensatory.

**Rural Health Care Providers:** The FCC determined that all public and not-for-profit health care providers located in rural areas are to receive universal service support, not to exceed an annual cap of \$400 million. A health care provider may obtain certain broadband transmission telecommunications services at rates comparable to those paid for similar services in the nearest urban areas with more than 50,000 residents, within the state in which the rural health care provider is located. Rural health care providers will receive support for both distance-based charges and a toll-free connection to an Internet service provider. Each health care provider that lacks toll-free access to an Internet service provider may also receive the lesser of 30 hours of Internet access at local calling rates per month or \$180 per month in toll charge credits for toll charges imposed for connecting to the Internet.

It appears that the health care provisions of the federal universal service fund will become effective on January 1, 1999, when other portions of the federal fund begin payout.<sup>33</sup> State commissions are responsible for approving cost-based rates for providing service in the most economically efficient, reasonably available manner when there is no tariffed or publicly available rates for health care services in a rural area.

*Universal Service Fund:* The FCC found that federal universal service support should be provided for the following services:

- Two-way voice grade access to the public switched network
- Touch-tone service
- Single-party service
- Access to emergency services, including 911 and Enhanced 911
- Access to operator services
- Access to interexchange services
- Access to directory assistance
- Lifeline and Link-Up services for qualifying consumers.

Although the FCC did not adopt a forward-looking cost model in the Report and Order, it found that support for high-cost areas should be based on forward-looking economic costs. The FCC is expected to explore forward-looking cost models in a Further Notice of Proposed Rulemaking, with cost model selection scheduled for December 31, 1997. By August 1998, the FCC will adopt the forward-looking cost mechanism and inputs that are scheduled to take effect on January 1, 1999. Additionally, the FCC found that on January 1, 1999, the responsibility for high-cost support will be split along current jurisdictional lines, with 25% of the difference between the forward-looking methodology's cost of service minus the national benchmark being funded by the Federal Universal Service Fund. The states are free to develop their own interstate programs to deal with the remaining 75% of the costs.<sup>34</sup>

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<sup>33</sup> The effective date for the health care provisions is believed to be coincident with the January 1, 1999, date scheduled for implementation of the balance of the federal universal service fund program. This point may require further clarification by the FCC.

<sup>34</sup> The jurisdictional allocation of universal service costs between federal and state jurisdictions is a radical departure from the existing universal service program.

The Lifeline and Link-Up programs have been significantly altered and expanded by the FCC.<sup>35</sup> In the Report and Order, the FCC made Lifeline available in every state, territory and commonwealth; increased the federal Lifeline support amount; and modified the state matching requirement.<sup>36</sup> Under the expanded Lifeline plan, each Lifeline consumer will receive \$5.25 in federal support. The federal fund will also provide \$1.00 of additional support for every \$2.00 of support provided by the state, up to a maximum of \$1.75, so that the maximum federal support would be \$7.00.

The FCC concluded that regardless of technology, to be considered eligible to receive universal service support, a carrier must be a common carrier and must offer and advertise, throughout a designated service area, all the defined services supported by the universal service fund.

State commissions are charged with monitoring rates and non-rate factors, such as subscribership levels, on an ongoing basis to ensure that local service remains affordable. Also, the FCC found that support for high-cost areas should be based on a forward-looking economic cost model and has given state commissions until August 15, 1997, to decide whether to use the FCC's or their own costing methodology. By January 1, 1998, the Commission must designate eligible telecommunications carriers and corresponding service territories for the purpose of determining their universal service obligations and support mechanisms. Finally, by January 1, 1999, the Commission must implement for Indiana the intrastate portion of the interstate universal service program.

#### **Summary of Access Charge Reform Order - CC Docket 96-262**

The FCC found that certain non-traffic sensitive access charges currently assessed on a usage-sensitive basis will be recovered via flat rate charges in the future. Such change from a usage basis to a flat-rated basis will be accomplished by (1) increasing the Subscriber Line Charge

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<sup>35</sup> The Lifeline program provides reductions in monthly telephone charges for qualifying low-income consumers. The Link-Up program provides reductions in the initial telephone installation charges for qualifying low-income consumers. Indiana currently participates only in the Link-Up program.

<sup>36</sup> Under the current Lifeline program, a state must make a matching reduction in intrastate rates in order to qualify for federal fund support.

("SLC") for multi line business and the second residential lines; and (2) increasing the primary interexchange carrier charge ("PICC").<sup>37</sup>

<u>Type of Service</u>	<u>TODAY SLC/PICC</u>	<u>7-1-97 SLC/PICC</u>	<u>1-1-98 SLC/PICC</u>	<u>1-1-99 SLC/PICC</u>	<u>FUTURE<sup>38</sup> SLC/PICC</u>
<b>Single Line Residence</b>	\$3.50/\$0.53	\$3.50/\$0.53	\$3.50/\$0.53	\$3.50/\$1.00	\$3.50/\$1.50
<b>2nd Line Residence</b>	\$3.50/\$0.53	\$3.50/\$0.53	\$5.00/\$1.50	\$6.00/\$2.00	\$9.00/
<b>Single Line Business</b>	\$3.50/\$0.53	\$3.50/\$0.53	\$3.50/\$0.53	\$3.50/\$1.00	\$3.50/\$1.50
<b>Multi line Business</b>	\$5.60/\$0.53	\$6.00/\$0.53	\$9.00/\$2.75		\$9.00/

There are a multitude of other changes in the access charge rate structure that will be phased in through January 1, 2000, in order to more closely align access charges to the way such costs are incurred. Such changes may result in an overall reduction in access charges, although more study of the possible impacts is needed. Most significant, the FCC decided that the ILECs must adjust their interstate access charges to reflect contributions to and receipts from the new federal universal service fund. Currently, the universal service fund and access charge structure are not linked. In general, the FCC found that the changes in the interstate access charge rate structure would apply to price-cap LECs, leaving the current rate structure in place for the smaller rural LECs.

In order to understand the FCC's linkage of interstate access changes with the universal service fund and what impact it may have on Indiana's policy of using interstate access rates for intrastate access, the Commission has consolidated both the intrastate universal service fund and intrastate access charges into the investigation undertaken in Cause No. 40785. The Commission will continue to assess the FCC's actions to determine intrastate effects, and take appropriate actions, as required.

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<sup>37</sup> This is an existing interexchange carrier charge that has been redefined and re-targeted as part of access charge reform.

<sup>38</sup> The PICC is designed to recover costs not currently recovered in the SLC and may recover additional costs in the future; therefore, the level of the future PICC is not known.

**FINANCIAL ASSISTANCE FOR END USER CUSTOMERS: LINK-UP INDIANA**<sup>39</sup>

The Link-Up Indiana program is intended to make telephone service affordable to persons who might otherwise be unable to subscribe to telephone service because of the initial connection charge. Link-Up provides qualified households with a fifty percent reduction in a LEC's normal nonrecurring charges for initiating basic, local, residential telephone service. The underlying assumption is that customers will respond to changes in prices. When telephone rates and charges decrease, more people will subscribe to telephone service, and when telephone rates and charges increase, fewer people will subscribe.

The FCC Monitoring Report indicates that 4,306 subscribers in Indiana received Link-Up assistance in 1996 for a total cost of \$79,346. This compares to the 1995 results of 2,999 subscribers receiving Link-Up assistance at a total cost of \$97,996.<sup>40</sup>

**INDIANA HIGH COST FUND (IHCF)**<sup>41</sup>

The intrastate Indiana High Cost Fund ("IHCF") is designed to provide financial assistance to certain small LECs with above-average intrastate Non-Traffic Sensitive ("NTS") costs to keep rates affordable. The IHCF assistance is intended to lessen the need for the affected LECs to raise their local rates to recover a portion of these NTS costs. The Indiana High Cost Fund Administrator (Ameritech Indiana) makes two types of payments to qualified small LECs: 1) the End User Offset payments and 2) the regular High Cost Fund payments. Funding companies include all LEC intraLATA Toll Providers with certain types of annual billed intraLATA toll revenues of at least \$10 million; plus all interexchange carriers ("IXCs"), resellers and Alternative Operator Service ("AOS") providers with certain types of annual booked intrastate toll revenues of at least \$10 million. For 1996, LEC funding companies included Ameritech Indiana, GTE North and United Telephone; long-distance funding companies included AT&T, MCI, Sprint, One Call and LDDS Communications, Inc..

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<sup>39</sup> For a general discussion of the Link-Up America program, see U.S. General Accounting Office, Telephone Communications: Cost and Funding Information on Lifeline Telephone Service (Sept. 1, 1987), Report No. GAO/RCED-87-189. See, also, In re MTS and WATS Market Structure, CC Docket Nos. 78-72, 80-286, Report and Order, May 19, 1987, 2 F.C.C. Rcd. 2953.

<sup>40</sup> Monitoring Report, CC Docket No. 87-339, May 1997.

<sup>41</sup> See, e.g., Cause No. 38269, at 53-62 (Ind. URC Oct. 7, 1992) (Phase II Executive Committee Report). See also Cause No. 38269, Finding No. 8, at 25-32, Ordering Para. No. 8 (incorp. Finding No. 8), at 41 (Ind. URC Dec. 18, 1992) (Phase II Order); Cause No. 37905, Attachment 1 (Ind. URC Sept. 19, 1990) (Final Report).



The IHCF Administrator calculates a total "revenue requirement" for the IHCF (including the total amount of the End User Offsets, the regular High Cost Fund, and Ameritech Indiana's expenses for administering the fund), based upon information provided by the small LECs, plus certain previous Commission determinations in Cause No. 37905 about the recipients and the amount of the End User Offset payments. The Administrator then determines each funding company's share of the annual revenue requirement, based upon each company's intrastate carrier common line charge access minutes (both originating and terminating) for the previous year. In 1989, the Commission set a cap on the total IHCF revenue requirement of \$1.5 million;<sup>42</sup> on December 18, 1992, the Commission reaffirmed this cap.

In 1996, the funding companies paid a total amount of \$1,044,969 into the fund. The IHCF Administrator had \$2,052 in expenses; \$959,937 was paid out to 14 different LECs for the regular High Cost Fund payments; \$82,980 was paid out to 8 companies that were eligible for the End User Offset (6 of those companies receiving regular High Cost Fund payments were also eligible for the End User Offset payments).

Section 254 of the TA-96 establishes new procedures and principles under which universal service requirements are to be reviewed by the FCC and state commissions. The IHCF's compliance with the universal service requirements of the TA-96 will be examined in the Commission's investigation of universal service under Cause No. 40785.

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<sup>42</sup> Cause No. 38269 (Phase I), finding No. 5, at 10, 102 PUR4th 330, Ordering Para. No. 4, at 17 (incorp. Finding No. 5), 102 PUR4th 335 (Ind. URC April 12, 1989).

## **5. OPPORTUNITY INDIANA THIRD-YEAR RESULTS**

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### **BACKGROUND**

On June 30, 1994, the Commission issued an order in Cause No. 39705, approving a series of settlement agreements between Ameritech Indiana and various parties in response to an alternative regulation plan filed by Ameritech Indiana pursuant to IC 8-1-2.6. As set forth in the order, Ameritech Indiana received increased regulatory flexibility through December 31, 1997, with respect to the provision and pricing of its telecommunications services. The plan is commonly referred to by the company as "Opportunity Indiana" ("OI"). It contains provisions for rate reductions, ease of tariffs filings, infrastructure and education investments and a free subscription program. Ameritech Indiana has filed a petition with the Commission to continue the plan beyond its present expiration date.

### **RATE REDUCTIONS**

Under the terms of the settlement agreements approved by the Commission as part of the Opportunity Indiana ("OI") plan, Ameritech Indiana eliminated the Touch-Tone charge for both residential and business customers. In addition the company phased out, in four steps over two years, the charge residential and single-line business customers pay for intrastate access to long distance companies. This charge was also reduced for multi-line business customers.

### **TARIFF FILINGS**

Since the adoption of the June 30, 1994, Opportunity Indiana Order, Ameritech Indiana has made 379 tariff filings under the flexible regulatory scheme. Of these filings, 143 were associated with the rates and charges contained in the local exchange tariffs, while the remaining 236 affected access rates and charges. Further breakdown of the local exchange tariff filings shows that 25 were for Basic Local Service ("BLS"), 17 were BLS-Related Services, and 101 involved Other Services.

Ameritech Indiana used its regulatory flexibility to respond more quickly to competition and the needs of customers. Making changes in a day rather than having to wait 30 days or more allows the company to meet customer demand, grow its business and generate more revenue. Many of the filings allowed Ameritech Indiana to make special offers to customers, such as giving

installation waivers and running special promotions. The company has also been able to quickly introduce new services such as Ameritech Prime Number and Home Office to Go Package.

### **INFRASTRUCTURE AND EDUCATION INVESTMENTS**

Ameritech committed to provide advanced services infrastructure throughout the Ameritech Indiana service areas in order to reach every interested school, hospital and major government center. As a result of this fiber-based infrastructure under Opportunity Indiana, Ameritech established in Indiana one of the first public-switched, full motion video (broadband) networks in the nation. This network links about 200 schools and other institutions, such as museums, theaters, hospitals and government entities, that provide an extensive selection of educational content and programming to classes. Ameritech also developed a new service called Ameritech Advanced Video Service that provides two-way interactive video which is full-motion with TV-like video quality.

Under OI, Ameritech Indiana makes a contribution of \$5 million per year (\$15 million to date) to an independent non-profit organization, the Corporation for Educational Communications ("CEC"). CEC was established to provide grants for the planning, development, deployment and effective use of interactive video distance learning and other advanced communications services that enhance the quality and availability of education in Indiana. CEC's goal is to help improve the quality, availability and economics of classroom instruction and thereby assist the state in meeting educational objectives in areas such as Core-40, Tech-Prep and Advanced Placement.

CEC is implementing a plan to support the offering of switched interactive video distance learning service to accredited public, private and parochial schools that serve grades 7 through 12 and are located in Ameritech Indiana's service area. Grants are available to provide educational programming for use on the interactive video distance learning network, such as universities, cultural organizations, hospitals and others. Grants may include funding for such components as planning, hardware, wiring, network usage, content development, professional development, research and academic scholarships for students.

With the help of CEC-funded planning grants, local clusters of schools determine their own curriculum needs and are the driving force in establishing alliances with content providers. Participating schools are building the video distance learning network based on the needs of the students and teachers. Classes such as Russian, Japanese, Latin, Spanish, AP Statistics, Algebra, Aviation Theory and Advanced English are offered between schools in six different regions of the

state. Content is currently available on line from over forty providers, some of which include I.U. South Bend, Purdue Calumet, Indiana Academy at Ball State University, St. Anthony Medical Center in Crown Point, Indianapolis Zoo, the Indianapolis Museum of Art, Indiana Repertory Theater, the Madame Walker Theater and the Children's Museum of Indianapolis. Within the last year schools in Evansville, Kokomo and South Bend have been added to the network. Other school locations such as Gary, Columbus, New Albany, Tell City, Muncie, Clinton and the Indiana School for the Deaf in Indianapolis are soon expected to be added to the video distance learning network.

Opportunity Indiana has helped bring advanced fiber optic networks to many rural areas in the state, thereby making advanced telecommunications technology and services available to schools, hospitals and government entities in those areas. Communities such as Charlestown, Elwood, Kingman, Ladoga, Marshall, Montpelier, New Market, Rockville, Rockport, Rosedale, Sheridan and Waveland have fiber construction completed or underway.

#### **FREE SUBSCRIPTION PROGRAM RESULTS**

In order to advance universal service, Opportunity Indiana provides that Ameritech Indiana will waive certain nonrecurring charges associated with initiating telephone services (customer deposit, line connection charges and service order charges) for new customers living in geographic areas with below-average telephone service penetration rates, during a preselected 30-day period each year (through 1997). The initial waiver was offered to 42,000 potential customers in November 1994 and attracted 1,516 new subscribers (approximately 3.5% of potential subscribers). There were no additional eligibility requirements beyond this residency requirement, such as household or personal income, receipt of public assistance income, etc.

As of May 31, 1995, 6 months after the free subscription was offered, 360, or 24%, of the 1,516 customers that initially received local service under the plan either discontinued service or were disconnected by Ameritech Indiana. Customers who discontinued service gave the following reasons: moving, no further use, could not afford or disaster. Ameritech Indiana disconnected customers for non-payment, abandoned service or fraud. One year later or 18 months after these customers started service under the plan (May 31, 1996) 1,065 customers (70%) no longer had local telephone service. As of May 31, 1997, two and one half years after being connected, only 280 customers (18.45%) remained on the network. See Appendix 5-A for detailed results.

Free subscription was again offered in November 1995, which resulted in 237 new subscribers. Through May 31, 1996, 94 (40%) of those customers either discontinued service or were disconnected by Ameritech Indiana. As of May 31, 1997, 67 (28.26%) remained on the network. See Appendix 5-B for detailed results.

Free subscription was again offered in November 1996, which resulted in 175 new subscribers. Through May 31, 1997, 46 (26%) of those customers either discontinued service or were disconnected by Ameritech Indiana. See Appendix 5-C for detailed results.

Appendix 5-D contains a summary table of all years' results, which shows that approximately 25% of the customers who started service under the plan over the last 30 months remain on the network. The information obtained from the free subscription program needs to be carefully analyzed to help the Commission better understand the support mechanisms necessary to advance universal service.

## 6. RBOC ENTRY INTO INTERLATA LONG DISTANCE

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### BACKGROUND

While most of this report focuses on those provisions of the TA-96 directly related to local exchange competition, Congress also established a process (in Section 271) that allows Regional Bell Operating Companies ("RBOCs"), such as Ameritech, to enter the interLATA (Local Access and Transport Areas) long distance market within their respective regions. Prior to passage of the TA-96, the RBOCs were prohibited from providing interLATA service by the terms of the Modified Final Judgement, a 1984 consent decree between AT&T and the U.S. Department of Justice.<sup>43</sup>

Section 271(e)(2) of the TA-96 establishes a *quid pro quo* for RBOCs to enter the interLATA market in exchange for allowing competitors to provide local service in the RBOCs' previous monopoly territories. Before an RBOC can enter this long distance market it must demonstrate compliance with the so-called "14-point checklist" (Sect. 271(c)(2)(B)).<sup>44</sup> In very general terms, the RBOC may do this in one of two ways: (1) by showing that there is at least one unaffiliated facilities-based local competitor that is actually providing local exchange service to both residential and business customers in the RBOC's territory; or (2) if the RBOC has not received a request for interconnection, through a "Statement of Generally Available Terms ("SGAT"), which identifies the steps the RBOC has taken to make it possible for facilities-based local competitors to interconnect with its facilities and to obtain the services, functionalities and elements they need in order to offer local exchange service in competition with the RBOC in question.<sup>45</sup>

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<sup>43</sup> (Consol.) U.S. v. Western Electric and AT&T; U.S. v. AT&T, 559 F.Supp. 990 (D.D.C. 1983), (entire case) aff'd sub nom., (mem.), California v. U.S., 464 U.S. 1013. Title VI, Section 601 (a)(1) of TA-96 generally supersedes the MFJ, while Section 272 contains more specific alternative requirements which replace various restrictions contained in the MFJ, including the interLATA restrictions.

<sup>44</sup> For example, within the states of Illinois, Indiana, Michigan, Ohio and Wisconsin, the Ameritech Operating Companies (Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell) provide local exchange service, vertical services (e.g., call waiting), access services and intraLATA (or equivalent) toll services to residential, business, commercial, government and institutional customers; as well as more specialized voice and data services and functionalities to non-residential customers.

<sup>45</sup> Section 271 applies only to the RBOCs. The separate consent decree (U.S. v. GTE Corp., 603 F.Supp. 730 (D.D.C. 1984)) which placed certain restrictions on the ability of GTE to offer interLATA long-distance services, absent a separate subsidiary, was superseded by Title VI, Section 601(a)(2) of TA-96. Smaller independents, such as United Telephone Co., were never subject to such consent decrees and are free to offer

The RBOC desiring to provide interLATA service within its region must receive authority to do so from the FCC by demonstrating compliance with the 14-point checklist. The FCC has 90 days to approve or reject the application.

Prior to issuing its written determination, the FCC must consult with both the U.S. Attorney General and the applicable state utility commission. The FCC must give "substantial weight" to the recommendations of the Attorney General, who may use any standard he/she believes is appropriate. Each state must verify that the application for that state complies with the requirements of Section 271(c).<sup>46</sup> On December 6, 1996, the FCC issued its Public Notice of "Procedures for Bell Operating Company Applications Under New Section 271 of the Communications Act." Among other things, the FCC required the states to complete their respective review processes for any particular Section 271 filing within the first 20 days of the 90-day review period.

#### **SEPARATE SUBSIDIARY REQUIREMENT**

Congress has imposed at least one more set of constraints on the ability of RBOCs to provide interLATA service within their respective regions. In Section 272, Congress temporarily prohibited the RBOCs from originating interLATA, in-region traffic; from certain manufacturing activities; and from providing interLATA information services, other than certain electronic publishing and alarm monitoring services, except through a separate subsidiary. Congress also established certain structural and accounting requirements to regulate the relationship between the RBOCs and these separate affiliates. Finally, Congress also required a joint biennial FCC-state audit to ensure that the RBOCs and the affiliates are complying with these requirements. On December 24, 1996, in CC Docket Nos. 96-149 and 96-150, the FCC established certain procedures to implement the various requirements of Section 272.

On June 14, 1996, in Cause No. 40509, Ameritech Communications of Indiana, Inc. (ACI-Indiana), which Ameritech has designated as its separate subsidiary for the provision of non-incidental interLATA traffic in Indiana, filed a petition for authority to provide a full range of

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interLATA interexchange services within the state of Indiana, subject to the approval of this Commission.

<sup>46</sup> Even after approving a Section 271 application, if at any time the FCC determines that the RBOC is not continuing to comply with all of the statutory requirements, the FCC may, after notice and opportunity for hearing, (1) issue an order to the RBOC to correct the deficiency, (2) impose a penalty on the RBOC, or (3) suspend or revoke its approval (Sect. 271(d)(6)(A)).

intraLATA and interLATA long-distance telecommunications services within the state of Indiana. The Commission has not yet issued an order in this cause. It should be noted, however, that neither Ameritech Indiana nor its parent nor any of its corporate affiliates has made any Section 271 filings for the state of Indiana with the FCC. Until such a filing is made, and until the FCC grants the necessary in-region interLATA authority based on that filing, ACI-Indiana would not be able to provide non-incidental interLATA service in Indiana, even with approval from the Commission.

On November 4, 1996, in a separate case (Cause No. 40671), Ameritech Communications, Inc. (ACI), filed a request with this Commission for authority to provide an entire range of intrastate services, including local exchange services, on a bundled resale basis to both business and residential customers in those areas of the state of Indiana where Ameritech Indiana, United or GTE serve as the ILEC.<sup>47</sup> The parties disagree about the identity of the services that ACI intends to offer in Indiana and there are several procedural disputes. The Commission is currently considering the various legal and procedural arguments.

#### **STATEMENT OF GENERALLY AVAILABLE TERMS ("SGAT")**

On October 23, 1996, in Cause No. 40653, Indiana Bell d/b/a Ameritech Indiana filed a Statement of Generally Available Terms with this Commission, as allowed under Section 252(f) of the TA-96, and sought approval of that statement within the 60-day period within which the Commission was required to act upon the statement, under Section 252(f)(3). The company stated that "the General Statement does not itself constitute a binding agreement (or function as the equivalent to a tariff)"<sup>48</sup> and "General Statements, such as the one proposed by Ameritech Indiana, are designed to expedite the negotiation process by providing a baseline that has been approved by the Commission for compliance with the duties prescribed by Sections 251 and 252(d) of the Act."

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<sup>47</sup> In re Petition of Ameritech Communications Inc. For a Certificate of Territorial Authority to Provide Intrastate Telecommunications Services, at Intro. Para., p. 3 (Cause No. 40671) (Nov. 4, 1996).

<sup>48</sup> On October 23, 1996, Ameritech Indiana did submit certain new pages of its Service Catalog to implement its provision and pricing of unbundled network elements, as required by Section 251 of the Act. These new catalog pages were marked with an effective date of December 2, 1996. On December 2, the presiding officers in Cause No. 40653 issued a docket entry suspending the December 2 effective date in so far as any related official action by the Commission staff, and providing, among other things, that these new catalog pages were so interrelated with the Commission's review of the statement as to require contemporaneous review and analysis (Cause No. 40653, at 2 (Dec. 18, 1996)).



Pursuant to Section 252(f)(3)(B), on December 23, the Commission "permitted" the "[S]tatement to take effect," without either approving or rejecting it. Section 252(f)(4) explicitly permits the states the discretion to continue their review of the Statement beyond the initial 60 days. In its order, the Commission stated that further review and subsequent approval or rejection of the statement, based upon its compliance or non-compliance with the 14-point checklist, would take place after all the arbitrated interconnection agreements were approved.

**IURC INVESTIGATION INTO AMERITECH'S COMPLIANCE  
WITH SECTION 271 (IURC CAUSE NO. 40641)**

On October 9, 1996, the Commission initiated an informal investigation "concerning Indiana Bell Telephone Company, Inc. d/b/a Ameritech Indiana's Compliance with Section 271 of [TA-96]" through a Notice of Inquiry. The notice indicated that it was not a "general rulemaking or generic proceeding" and, because Ameritech Indiana had not yet filed its Section 271 application for the state of Indiana with the FCC, would be considered "non-decisional" in nature. The Commission sought comments from Ameritech Indiana and any other interested party on whether Ameritech Indiana was offering the 14 items contained in the 14-point checklist; the identity of all entities who had sought interconnection with Ameritech Indiana or were seeking unbundled network elements or the ability to resell Ameritech Indiana local exchange services; data on Ameritech Indiana's facilities, equipment and revenues; comparisons of the volumes of exchange access traffic between Ameritech Indiana and any local competitor(s); and recommendations from the various parties regarding the criteria this Commission should consider in evaluating Ameritech Indiana's Section 271 application.

It is anticipated that this cause, or some other IURC proceeding, may be used to allow the Commission to elicit the information it needs in order to verify to the FCC that Ameritech Indiana has complied with Section 271(c) of the Act, as described elsewhere in this section.

## **7. EXTENDED AREA SERVICE (EAS)**

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Extended Area Service ("EAS") is telephone service that allows persons in a given exchange to place and receive calls from a different exchange without an additional toll charge. Most existing EAS areas have evolved over the years based on community of interest and have been in place for many years. The costs to provide existing EAS services have been included in averaged local rates so there is generally no additional monthly cost to customers of the exchange for their toll-free calling areas.<sup>49</sup>

As time passed and communities changed and grew, customers' calling needs also changed and grew. The Commission received increasing numbers of inquiries from telephone customers who were dissatisfied with their toll-free calling areas. Many calling areas did not (and do not) conform to county boundaries, school districts, etc. Many customers were not (and are not) able to call law enforcement or emergency services without incurring toll charges. For a period of time, the IURC had no program to address the needs of these customers, and local exchange telephone companies were not initiating changes in EAS areas. In response to this growing need, the Commission drafted administrative rules establishing a process to implement new EAS, which were approved in 1986 and are found at 170 IAC 7-4, et. seq.

The IURC administers these rules, which are designed to provide customers in telephone exchanges the opportunity to determine if toll-free calling will be established between those exchanges. To initiate this process, customers submit a petition (signed by the greater of 10% or 100 customers of the exchange) requesting toll-free calling to another exchange. Upon receipt of such petition, the Commission orders the involved local exchange telephone company (or companies) to conduct a study of the calling patterns between the two exchanges. If the results of those studies indicate sufficient calls being made by the customers of the exchanges in accordance with IURC rules, the IURC then orders the telephone companies to conduct studies to determine the costs (capital investment, operating/administrative expenses and lost toll revenues) of establishing toll-free calling between the exchanges. The IURC must review and approve all studies before issuing orders on those studies. The telephone companies are then ordered to ballot the customers of the exchanges by mail to determine if the customers are willing to pay an

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<sup>49</sup> GTE North, Inc. has a separate EAS cost recovery component called an EAS Adder that was initially approved in the Final Order in Cause No. 36452 on December 16, 1981. The EAS Adder was limited to existing customers ("grandfathered") on July 22, 1992, because of unanticipated results when the EAS Adder was applied in the development of cost of service studies under the Commission's EAS Rules.

additional monthly rate to have unlimited toll-free calling between the exchanges. A simple majority of the voting customers determines if the toll-free calling is established for the entire exchange.

The EAS program has met with considerable customers interest, but only a limited number of EAS petitions have been implemented. Since 1986, the Commission has processed 168 petitions, with only 15 having been implemented. There are a variety of reasons why petitions fail. Many times, studies of the calling patterns do not meet the program's minimum criteria, which would indicate insufficient calling and lack of real community of interest. Other times, the cost of establishing the service is high, and customers vote against it. To minimize rate and revenue impact on the customers and the utilities, the rules allow for recovery of EAS costs over a five-year period. Customer who live in the exchanges where EAS is implemented pay a monthly surcharge on their bills for five years to cover the cost of establishing the EAS. The EAS cost components (capital investment, operating/administrative expenses and lost toll revenues) included in the process can be expensive. Moreover, many of the exchanges involved in the process are very small, and the resulting cost per customer is high. These factors can lead to the requested service being cost-prohibitive.

Currently, the IURC is monitoring an optional EAS calling plan that GTE North, Inc. initiated on a trial basis last year, and is investigating the need to open a proceeding to ensure the compliance of existing EAS interconnection agreements and the EAS rules with the TA-96.

#### **GTE LOCAL CALLING PLAN**

On May 30, 1996, the Commission approved a proposal by GTE North, Inc. to initiate a 12-month trial of an optional EAS calling plan, entitled the GTE Local Calling Plan ("LCP"), to replace existing intrastate, intraLATA message toll calling charges between certain GTE exchanges. The LCP provides an optional local calling plan between GTE exchange areas in the Terre Haute LATA where EAS calling does not presently exist, but where there is a community of interest of at least 1.5 calls per customer account per month (to be eligible to petition for non-optional flat-rated EAS under the IURC's existing EAS Rules, the minimum community of interest is 3 or more messages/customer account/month and 50% or more of the customers make 3 or more messages/customer account/month).

The LCP uses 7-digit dialing, is accounted for as local service, and is available to both business and residence service classes with the following exceptions: Residence 2-and 4-party

service, Public or Semi-public service, Customer Owned Pay Telephone Service or Foreign Exchange Service. The LCP consists of three optional calling plans from which customers may choose: Community Calling Plan--calling to all eligible EAS exchanges based upon usage charges; Community Plus Plan--unlimited flat-rated calling to one eligible EAS exchange with calling to the remaining eligible EAS exchanges based upon usage charges; Premium Plan--unlimited flat-rated local calling to all eligible EAS exchange (see Appendix 7-A for details). Results of the first 6 months of the trial follow:

As of March 31, 1997, a total of 65,886 access lines were eligible to participate in one of the LCP's three optional calling plans. A total of 10,086 customers, which represents 15.3% of the eligible access lines, were subscribed to the LCP: Community Calling Plan - 2,380; Community Plus Plan - 7,009; and Premium Plan - 697.

Generally, the exchanges with strong economic ties to one another have had higher sign-up rates. On an individual exchange basis, Farmersburg had the highest LCP penetration at 66.63%. Riley had the lowest penetration at 9.99%.

The most popular LCP proved to be the Community Plus, with both flat-rated and usage charges. The Community Plus option has experienced an increase of about 200 access lines per month during the first six months of this trial; Community Calling and Premium subscription rates have been relatively flat, with 16 and 30 access lines being added per month, respectively.

#### **EAS INTERCONNECTION COMPLIANCE WITH THE TA-96**

Existing EAS interconnection agreements provide compensation for the termination of ILEC to ILEC local calls between exchanges. The compensation terms of these existing EAS compensation arrangements vary greatly depending upon the ILECs involved and/or the volumes of EAS calls exchanged. In addition, existing EAS interconnection agreements have little or nothing to do with the actual costs incurred for termination of the EAS calls between the involved ILECs.

In its Interconnection Order, the FCC found that ILEC to ILEC interconnection agreements in effect prior to the TA-96 are subject to the same interconnection requirements of the TA-96 as

ILEC to new competitive local exchange carrier interconnection agreements.<sup>50</sup> Because the ILEC to ILEC preexisting interconnection agreements were negotiated in a monopoly environment, however, the FCC has given the ILECs until June 30, 1997, to file certain of their ILEC to ILEC interconnection agreements with state commissions for approval under the interconnection requirements of the TA-96.<sup>51</sup> After this initial filing, the state commissions must establish procedures to review and approve the preexisting interconnection agreements for all other ILECs within a reasonable timeframe.

In addition to considering the compliance of preexisting EAS interconnection agreements with the TA-96, there may be a need to investigate the application of the IURC's existing EAS Rules under the interconnection requirements of the TA-96. One likely area for review would be the cost study guidelines for EAS that were initiated prior to the TA-96. Other elements of the IURC's EAS Rules may also need a compliance review with the TA-96 and possible modification.

Some aspects of EAS compliance with the TA-96 may be considered as part of Cause No. 40785, the Commission's investigation into Universal Service and Access Charges. However, the IURC is currently considering opening a comprehensive investigation into compliance with the TA-96 on an EAS-generic basis.

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<sup>50</sup> In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, Released August 8, 1996 ("Interconnection Order"), paragraphs 165 - 171.

<sup>51</sup> The June 30, 1997, filing is limited to Class A to Class A interconnection agreements. Class A companies are defined as companies "having revenues from regulated telecommunications operations of \$100,000,000 or more."

## 8. NUMBER ADMINISTRATION

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### 317 AREA CODE RELIEF PLAN

On June 14, 1996, Ameritech Indiana, as the current Central Office Code Administrator<sup>52</sup> for the state of Indiana, submitted a 317 Area Code Relief Plan Proposal on behalf of the Indiana Telecommunications Industry Team ("Industry Team")<sup>53</sup> to be approved through the Commission's "30-day filing" process.

On July 1, 1996, the city of Shelbyville filed a petition, Cause No. 40525,<sup>54</sup> with the IURC, seeking a hearing on the proposal's recommendation that would remove the city of Shelbyville and surrounding communities in Shelby County from 317 area code and place them into the new 765 area code. Shelbyville reasoned that it and its surrounding communities should remain in the 317 area code because of their proximity and strong community of interest with Indianapolis. In addition, in its petition, Shelbyville questioned the rationale of splitting Shelby county into three 3 different area codes, 317, 812 and 765.

As a result of this petition, a field hearing was held for Shelbyville residents followed by an IURC evidentiary hearing, which resulted in a Commission order in Cause No. 40525 dated November 13, 1996. The order granted Shelbyville's request to remain in the 317 area code, but denied the further request to allow the surrounding communities to remain in the 317 area code. Two other counties, Johnson and Morgan, were also split into three area codes.

The 765 area code went into effect on February 1, 1997, for a period of permissive dialing in which a call may be completed with either 317 or 765 entered as the area code. Mandatory 765 dialing will begin on June 28, 1997.

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<sup>52</sup> As Central Office (CO) Code Administrator, Ameritech Indiana coordinates the assignment of CO Codes, or NXXs, for all local telephone companies, cellular providers, paging companies, and alarm companies in the state of Indiana.

<sup>53</sup> All telecommunications providers of local, long distance, alarm, cellular and paging service in the effected 317 area code were notified by Ameritech Indiana of the pending exhaust of the 317 area code and the establishment of the Industry Team, which was charged with the task of developing an acceptable area code relief plan. In addition, the Office of Utility Consumer Counselor participated in and several members of the Commission Staff observed the deliberations of the Industry Team.

<sup>54</sup> Cause No. 40525, dated November 13, 1996, "In the Matter of 317 NPA Relief Plan." NPA, "Number Plan Area" or commonly referred to "Area Code."

**NUMBER ADMINISTRATION**

The TA-96 mandated in Section 251(e)(1) that the FCC "create or designate one or more impartial entities to administer telecommunications numbering and to make such numbers available on an equitable basis." In response to the mandate, the FCC released an order in FCC 96-333.<sup>55</sup> This order, among other things, addresses the roles states may take in the administration of the North American Numbering Plan ("NANP").

In the NANP, a phone number consists of a 3-digit area code, a 3-digit Central Office ("CO") code, and a 4-digit line number. Typically, each CO code, or prefix, has a block of 10,000 unused numbers assigned to it. A new area code makes possible the addition of more than 700 3-digit prefixes (or seven million new phone numbers) that can be used to assign new seven-digit telephone numbers. Bellcore, the entity that has the authority to assign new area codes across the country, currently administers the NANP. Ameritech Indiana was appointed CO Code Administrator for Indiana by Bellcore in 1984 after the breakup of AT&T. In such capacity, Ameritech Indiana administers the assignment of CO codes for all local phone companies, cellular providers, paging companies and alarm companies and is responsible for predicting exhaustion and initiating relief of numbers within a Number Plan Area ("NPA") or area code within Indiana.

Before the enactment of the TA-96, the FCC in its Report and Order, FCC 95-283,<sup>56</sup> created a Federal Advisory Committee called the North American Numbering Council ("NANC"). One of NANC's charters is to select a "non-government entity that is not closely identified with any particular industry segment" to administer the NANP. The NANC made a recommendation to the FCC for the neutral third party administrator. After the selection has been finalized, the NANC plans to move the responsibilities of Bellcore and Ameritech Indiana to the neutral third party administrator by July 1, 1997, and January 1, 1999, respectively.

The FCC, in its Second Report, determined that the charter of the NANC satisfied the mandate in Section 251(e)(1) of TA-96 by placing number administration with a neutral third party. Also in its Second Report, the FCC determined that if a state wishes, it may take the responsibility of initiating and planning area code relief, a function currently done by Ameritech Indiana in

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<sup>55</sup> FCC 96-33, Second Report and Order and Memorandum Opinion and Order (Second Report), released August 8, 1996, In the Matters of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996 and Administration of the North American Numbering Plan (NANP).

<sup>56</sup> FCC 95-283, In the Matter of Administration of the North American Numbering Plan, released July 13, 1995.

Indiana. If a state does not wish to perform this function, area code relief planning will become the responsibility of the new NANP administrator.

In its May 20, 1996, comments regarding number administration to the FCC's Notice of Proposed Rule Making, "In the Matter of the Local Competition Provisions in the Telecommunications Act of 1996," CC Docket No. 96-98, released April 19, 1996, the IURC staff recommended that the states should be able to take the responsibility of initiating area code relief planning in lieu of turning it over to the new NANP administrator. In the Second Report, the FCC recognized that "states are in a better position to determine what impact adding a new area code will have on local circumstances," and established a process for states to assume administration of area code relief.

The IURC has determined it would be in the public's best interest for the State of Indiana to assume Ameritech Indiana's role for initiating and planning area code relief. Assuming this role will allow the Commission to obtain local input through industry and public meetings, giving it a unique familiarity with possible effects of introducing a new area code in Indiana. The Commission believes assumption of area code relief administration would provide a better arrangement for local industry and communities, as opposed to having an entity outside of the state make the determinations. Also, the IURC wants to assume this function prior to the final selection of the new NANP administrator; this will allow an opportunity for the staff to work directly with Ameritech Indiana to ensure a smooth transition in administration.

On June 5, 1997, the IURC sent a formal notification, in the form of a letter, to the current administrator, Ameritech Indiana, that the Commission will be assuming the number administrative roles of planning and initiating for area code relief. Copies of the letter were sent to the FCC and all other parties that would be affected by the introduction of a new area code in Indiana.

#### **EQUAL ACCESS INTRASTATE, INTRALATA TOLL**

On August 8, 1996, the Federal Communications Commission issued its 96-333 Order,<sup>57</sup> which in part will allow a consumer to presubscribe to different carriers for interLATA and

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<sup>57</sup> FCC 96-333, Second Report and Order and Memorandum Opinion and Order, Released August 8, 1996, In the Matters of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Docket No. 95-185, Area Code Relief Plan for Dallas and Houston, Ordered by the Public Utility Commission of Texas, NSD File No. 96-8, Administration of the North American Numbering Plan, CC Docket No. 92-237, and Proposed 708 Relief Plan and 630 Numbering Plan Area Code by Ameritech-Illinois, IAD File No. 94-10.



intraLATA toll service on an equal access basis. The customer also may choose the same carrier for both interLATA and intraLATA service. This means a customer may dial a toll call through the carrier of choice using 1+ or 0+ dialing, without the use of an access code or any additional account information having to be dialed.

In the FCC order, guidelines and timeframes were established that an ILEC must follow to implement intraLATA toll dialing on an equal access basis on or before February 8, 1999. The FCC mandated that if an ILEC was offering interLATA toll services within its region when the FCC order was released, the ILEC had until August 8, 1997, to implement intraLATA toll on an equal access basis at parity with itself; a Regional Bell Operating Company ("RBOC") must provide equal access in conjunction with its entry into the in-region interLATA toll market; and all other ILECs must provide equal access within six months of a bona fide request, unless the ILEC qualifies for, and obtains, a suspension or modification from such duty pursuant to Section 251(f)(2)<sup>58</sup> of the TA-96.

In its order, the FCC also determined that a state commission could not order an ILEC that is a RBOC to implement intraLATA toll dialing parity outside of the dates established in the FCC order, if the state commission had not ordered the RBOC to do so prior to December 19, 1995.

Prior to the release of the FCC order, several interexchange carriers petitioned under Cause No. 40284,<sup>59</sup> asking the Commission to require all ILECs in the state of Indiana to allow 1+/0+ intraLATA toll presubscription on an equal access basis. Attached to the filing was a stipulated agreement showing that the majority of ILECs agreed to provide intraLATA toll dialing on the requested equal access basis, but there were disputed issues relating to providing this service that needed to be resolved.

The IURC, in compliance with the FCC order, resolved some outstanding issues and issued an order in Cause No. 40284 on November 26, 1996. The Commission directed Ameritech Indiana to implement intraLATA toll on an equal access basis at parity with itself in conjunction with its

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<sup>58</sup> Section 251(f)(2) of TA96, allows that a local exchange carrier with fewer than 2% of the nation's subscriber lines installed in the aggregate nationwide may petition a state commission for a suspension or modification of the application of certain requirements imposed on local exchange carriers in TA96.

<sup>59</sup> In the Matter of the Petition of AT&T Communications of Indiana, Inc., LCI International Telecom Corp., Sprint Communications Company L.P., and WorldCom, Inc. d/b/a WorldCom For Commission Approval of 1+/0+ MTS on a Presubscribed Basis with Respect to the Provision of their Intrastate IntraLATA Services, dated November 26, 1996.

entry into in-region interLATA toll services on or before February 8, 1999; GTE North Inc. and Contel of the South, Inc., to provide dialing parity as soon as each of their exchanges is technically feasible to do so, or to provide a list of those Central Offices that are incapable of providing this service, with an estimated upgrade date; and United Telephone Company of Indiana, Inc. d/b/a Sprint to provide dialing parity within six months of the approval of the instant order or a list of those Central Offices that are incapable of providing this service, with an estimated upgrade date. All other ILECs that do not receive a suspension or modification from this duty pursuant to Section 251(f)(2) of the TA-96 must provide dialing parity within six months of a bona fide request from a provider of intraLATA toll services.

## 9. FINANCIAL AND OTHER INDUSTRY STATISTICS

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As can be seen in Appendices 9-A, 9-B & 9-C, the telecommunication services industry in Indiana represents a market with intrastate gross revenues for 1996 of \$2.34 billion. This represents an increase in revenues of 4.78% over the 1995 level and a 39.06% increase over the 1992 level. The compound annual growth rate during the 1992-1996 period was 8.59%. LEC intrastate operations accounted for \$1.43 billion or 61.21% of the telecommunications gross intrastate revenues in 1996. The LEC's share of the total telecommunications industry revenues has been gradually decreasing.

Facilities-based IXC's accounted for 13.89% of the gross intrastate telecommunications services revenues. AT&T Communications' share of the IXC facilities-based intrastate gross revenues amounted to 70.0% in 1996, up from 68.0% in 1995 but down from 80.0% in 1992.

In past years' reports we were able to segregate the revenues of other telecommunications companies (resellers, alternative operator services, radio common carriers, cellular and mobile). Because of the diversification of services offered, it is no longer possible to classify a company as providing only one type of service. Consequently, the revenues for these companies have been aggregated into one total.

As demonstrated by Appendices 9-H and 9-I, Indiana LECs have continued to proceed with modernization programs in their telecommunications networks. As a result of such modernization programs, 88.06% of the LECs' access lines are served by fully digital central office (CO) switching equipment; e.g., Northern Telecom DMS100/200 or DMS10 switches. The corresponding portion of access lines served by fully digital CO switching equipment in 1992 was 68.48%. The "intermediate" switching technology of electronic analog CO switching equipment; e.g., Western Electric/ATTIS 1AESS and 2AESS switches, is still present at some of the major LECs that had invested in that technology. In contrast, numerous smaller LECs have replaced their analog and electromechanical switches with fully digital CO switching equipment. Consequently, the proportion of LEC access lines served by electronic analog CO switching equipment dropped from 28.72% in 1992 to 10.94% in 1996. The additional benefit of investment in fully digital CO switching equipment has been that the proportion of Indiana LEC access lines served by "equal access" COs 98.61% in 1996 (under "equal access" end-users are able to reach the networks of their preferred IXC's with simplified dialing such as "1+").

## 10. ACKNOWLEDGEMENTS

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The Commission appreciates and acknowledges the assistance of the Commission's staff in the preparation of this report. Special thanks goes to the following staff:

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## 11. LIST OF ACRONYMS

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ACI	Ameritech Communications, Inc.
ACI-Indiana	Ameritech Communications of Indiana, Inc.
ALEC	Alternative local exchange carrier
AOS	Alternative Operator Service
AT&T	AT&T Communications, Inc.
BLS	Basic Local Service
CBT	Cincinnati Bell Telephone Company
CCLC	Carrier common line charge
CEC	Corporation for Educational Communications
CO	Central Office
CPE	Customer premises equipment
CTA	Certificate of Territorial Authority
EAS	Extended Area Service
FCC	Federal Communications Commission
GTE	GTE North, Inc.
ICC	Illinois Commerce Commission
ICG	ICG Telecommunications
IHCF	Indiana High Cost Fund or High Cost Fund
ILEC	Incumbent local exchange carrier
IPA	Indiana Payphone Association
IPP	Independent Payphone Provider
IURC	Indiana Utility Regulatory Commission
IXC	Interexchange carrier
LCP	Local Calling Plan
LEC	Local exchange carrier
LLC	Limited Liability Company
LRN	Location Routing Number
LTNP	Long-Term Telephone Number Portability
MCI	MCI Telecommunications Corporation
MFJ	Modified Final Judgement
MSA	Metropolitan Statistical Area
NANC	North American Numbering Council
NANP	North American Numbering Plan

**12. LIST OF APPENDICES**

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## INTERCONNECTION AGREEMENTS

Arbitrations Cause Number	(Interconnection Agreements) Companies	Arbitration Order	Contract Filed	Reconsideration Order	Final Order
40559	TCG/AIT	11/8/96		N/A	1/9/97
40571-INT-01	ATT/AIT	11/27/97		1/27/97	3/26/97
40571-INT-02	ATT/GTE	12/12/96	2/7/97	on hold	
40603-INT-01	MCI/AIT	12/18/96	1/21/97	on hold	
40603-INT-02	MCI/GTE	1/3/97	2/4/97	on hold	
40625-INT-01	Sprint/AIT	1/15/97	3/17/97		4/11/97
40625-INT-02	Sprint/GTE	1/15/97	2/17/97	on hold	
40746-INT-01	ICG/CBT	on hold	[Awaiting PUCO]		
40787-INT-01	Intermedia/AIT	7/2/97			
40792-INT-01	ICG Telecom/GTE	7/9/97	Stip filed 4/14/97	on hold	
40832-INT-01	KMC Telecom/GTE	8/8/97	Susp req 5/30/97	[for 2 mons]	

Negotiated Contracts Cause Number	(Interconnection Agreements) Companies		Contract Filed		Final Order
40572-INT-01	MFS/AIT				10/31/96
40572-INT-02	Time Warner/AIT				11/12/96
40572-INT-03	360/AIT		2/3/97		4/16/97
40572-INT-04	US Cellular/AIT		2/12/97		5/8/97
40572-INT-05	SWBT Cell/AIT		2/21/97		4/16/97
40572-INT-06	BellSouth CMRS/AIT		3/5/97		5/28/97
40572-INT-07	GTE Mobilnet/AIT		3/5/97		5/28/97
40572-INT-08	AIT Mobile/AIT		3/19/97		6/11/97
40572-INT-09	ATT Wireless/AIT		4/11/97		7/9/97
40572-INT-10	One Comm Corp/AIT		5/2/97		7/31/97
40572-INT-11	LCI/AIT		5/20/97		8/18/97
40737-INT-01	360/GTE		1/22/97		4/16/97
40737-INT-02	ICG/GTE		2/6/97		5/6/97
40737-INT-03	BellSouth CMRS/GTE		3/17/97		5/20/97
40737-INT-04	ATT Wireless/GTE		5/1/97		7/30/97
40737-INT-05	Sprint Spectrum/GTE		6/5/97		9/2/97

Updated 6/16/97

# Status of Local Service CTA Requests in Indiana

<u>No.</u>	<u>Company Name</u>	<u>Local Resale Requested?</u>	<u>Cause No.</u>	<u>File Date</u>	<u>Approval Date</u>	<u>Facilities-based Local Requested</u>	<u>Cause No.</u>	<u>File Date</u>	<u>Approval Date</u>
1	Access Network Services, Inc.	Yes	40651	10/18/96	1/15/97	No	---	---	---
2	Ameritech Communications, Inc.	Yes	40671	11/4/96	Pending	No	---	---	---
3	AT&T Communications of Indiana, Inc.	Yes	40415	2/28/96	9/5/96	Yes	40652	10/22/96	5/8/97
4	Atlas Communications, Ltd.	Yes	40883	6/5/97	Pending	No	---	---	---
5	CIMCO Communications, Inc.	Yes	40873	5/23/97	Pending	No	---	---	---
6	Coast To Coast Telecommunications, Inc.	Yes	40782	3/6/97	Pending	No	---	---	---
7	Communications Products, Inc.	Yes	40642	10/8/96	2/5/97	Yes	40829	4/15/97	Pending
8	Comteck of Indiana, Inc.	Yes	40841	4/22/97	Pending	No	---	---	---
9	Consolidated Communications Telecom Services Inc.	Yes	40562	7/17/96	3/5/97	Yes	40562	7/17/96	3/5/97
10	Dial & Save of Indiana, Inc.	Yes	40503	6/10/96	1/29/97	No	---	---	---
11	Diversified Communications, Inc.	Yes	40853	5/6/97	Pending	No	---	---	---
12	Excel Telecommunications, Inc.	Yes	40507	6/12/96	6/11/97	No	---	---	---
13	GE Capital Communication Services Corporation	Yes	40624	9/20/96	3/26/97	No	---	---	---
14	GTE Card Services, Incorporated	Yes	40831	4/16/97	Pending	No	---	---	---
15	ICG Telecom Group, Inc.	Yes	40644	10/10/96	5/14/97	Yes	40644	10/10/96	5/14/97
16	Intermedia Communications, Inc.	Yes	40667	11/1/96	3/20/97	Yes	40666	11/1/96	5/28/97
17	KMC Telecom, Inc.	Yes	40661	10/29/96	3/20/97	Yes	40663	10/29/96	5/14/97
18	LCI International Telecom Corp.	Yes	40438	3/29/96	2/19/97	No	---	---	---
19	LDM Systems, Inc.	Yes	40872	5/22/97	Pending	No	---	---	---
20	Local Line America, Inc.	Yes	40712	12/17/96	Pending	No	---	---	---
21	MCImetro Access Transmission Services, Inc.	Yes	40818	4/8/97	5/28/97	No	---	---	---
22	MFS Intelenet of Indiana, Inc.	Yes	40491	5/21/96	3/5/97	Yes	40491	5/21/96	3/5/97
23	Microwave Services, Inc.	Yes	40738	1/21/97	Pending	Yes	40738	1/21/97	Pending
24	Midwest Telecom of America, Inc.	Yes	40669	11/4/96	1/23/97	No	---	---	---
25	Millennium Group Telemanagement, LLC	Yes	40773	3/3/97	4/30/97	No	---	---	---



## Status of Local Service CTA Requests in Indiana

<u>No.</u>	<u>Company Name</u>	<u>Local Resale Requested?</u>	<u>Cause No.</u>	<u>File Date</u>	<u>Approval Date</u>	<u>Facilities-based Local Requested?</u>	<u>Cause No.</u>	<u>File Date</u>	<u>Approval Date</u>
26	One Call Communications, Inc.	Yes	40675	11/8/96	1/23/97	No	---	---	---
27	Paramount Wireless Communications of Indiana, LLC	No	---	---	---	Yes	40616	9/16/96	Pending
28	Preferred Carrier Services, Inc.	Yes	40723	12/31/96	3/5/97	No	---	---	---
29	Sprint Communications Company, L.P.	Yes	40505	6/11/96	6/11/97	Yes	40505	6/11/96	Pending
30	Starcomm America, Inc.	Yes	40657	10/28/96	1/8/97	No	---	---	---
31	Sterling International Funding, Inc.	Yes	40865	5/19/97	Pending	No	---	---	---
32	Swayzee Telephone Company, Inc.	Yes	40805	4/1/97	Pending	No	---	---	---
33	TCG Indianapolis	Yes	40478	5/8/96	1/23/97	Yes	40478	5/8/96	1/23/97
34	Tel-Save, Inc.	Yes	40847	4/29/97	Pending	No	---	---	---
35	Time Warner Communications of Indiana, L.P.	Yes	40825	4/14/97	Pending	Yes	40826	4/14/97	Pending
36	U.S. Telco, Inc.	Yes	40817	4/7/97	Pending	No	---	---	---
37	U S WEST Interprise America, Inc.	Yes	40706	2/27/97	5/20/97	Yes	40706	5/7/97	Pending
38	US Xchange of Indiana, L.L.C.	Yes	40779	3/4/97	5/8/97	Yes	40780	3/4/97	Pending
39	WinStar Wireless of Indiana, Inc.	Yes	40772	3/3/97	5/8/97	Yes	40771	3/3/97	Pending

Status as of 06-11-97

**FEDERAL COURT CASES**

GTE North Incorporated & Contel of the South Incorporated v. John Mortell, Chairman; Mary Jo Huffman, Commissioner; G. Richard Klein, Commissioner; Camie Swanson-Hull, Commissioner; and David Ziegner, Commissioner (In Their Official Capacities as Commissioners of the IURC) and AT&T Communications of Indiana, Inc., U.S. District Court, Northern District of Indiana, 1:97CV0012. Appeal of IURC Order No. 40571-INT-02.

*SUMMARY OF IURC ORDER:* Pursuant to the TA-96, GTE and AT&T sought arbitration of an interconnection agreement. At the conclusion of arbitration, the IURC directed the parties to file a final interconnection agreement by January 12, 1997, which implemented the findings of the IURC's final order. On January 10, 1997, (without filing a final interconnection agreement) GTE appealed the IURC's order to the federal court's northern district of Indiana.

*ISSUE(S) ON APPEAL:* GTE alleges that the IURC's order violates §§ 251 and 252 of the TA-96 as follows: (1) the IURC improperly imposed upon GTE terms and conditions of an unrelated interconnection agreement between AT&T and Ameritech; (2) the IURC failed to set prices based on GTE's own rates and costs; (3) the IURC improperly applied FCC pricing rules and proxies; (4) the IURC did not fully compensate GTE for the mandatory use of its property; (5) the IURC did not allow GTE to recover "end-user" surcharges to account for stranded investment; (6) the IURC expanded GTE's duty to provide AT&T with access to individual "network elements"; (7) the IURC required GTE to modify and upgrade its network for the benefit of AT&T and other competitors; (8) the IURC misapplied the definition of "rural telephone company" and improperly terminated GTE's rural telco exemption; (9) the IURC's order was arbitrary, capricious, and not supported by the record.

*LATEST COURT ACTION:* On March 10, 1997, the Indiana Attorney General on behalf of the IURC ("State") filed a Motion to Dismiss arguing that the Court lacks jurisdiction on two grounds: (1) the case is not ripe for judicial review since GTE and AT&T have not submitted a final interconnection agreement; and (2) that because the State has not consented to suit and Congress did not abrogate the State's immunity in passing the TA-96, the plaintiffs are barred by the Eleventh Amendment of the U.S. Constitution from suing the State in federal district court. The FCC has moved to intervene and the Court has until June 30, 1997, to rule on that motion.

GTE North Incorporated & Contel of the South Incorporated v. John Mortell, Chairman; Mary Jo Huffman, Commissioner; G. Richard Klein, Commissioner; Camie Swanson-Hull, Commissioner; and David Ziegner, Commissioner (In Their Official Capacities as Commissioners of the IURC) and MCI Telecommunications Corporation, U.S. District Court, Northern District of Indiana, 1:97CV0058. Appeal of IURC Order No. 40603-INT-02.

*SUMMARY OF IURC ORDER:* After arbitration pursuant to the TA-96, the IURC issued an order on January 3, 1997, directing the parties to file a final interconnection agreement implementing the order within 30 days. Essentially, the IURC's order was identical to the order described in Cause Nos. 40571-INT-02 (involving GTE and AT&T) and 40625-INT-02 (involving GTE and Sprint). Without filing a final interconnection agreement, GTE appealed the IURC's order to the federal district court's northern district of Indiana on February 11, 1997.

*ISSUE(S) ON APPEAL:* In this appeal, GTE makes the same nine (9) arguments it asserted in its appeal of the IURC's interconnection order between GTE and AT&T.

*LATEST COURT ACTION:* The Attorney General (on behalf of the IURC) filed a Motion to Dismiss on the same grounds outlined in the GTE/AT&T appeal. The FCC has moved to intervene and the Court has until June 30, 1997, to rule on that motion.

GTE North Incorporated & Contel of the South Incorporated v. John Mortell, Chairman; Mary Jo Huffman, Commissioner; G. Richard Klein, Commissioner; Camie Swanson-Hull, Commissioner; and David Ziegner, Commissioner (In Their Official Capacities as Commissioners of the IURC) and Sprint Communications Company, LP, U.S. District Court, Northern District of Indiana, 1:97CV0066. Appeal of IURC Order No. 40625-INT-02.

*SUMMARY OF IURC ORDER:* After arbitration pursuant to the TA-96, the IURC issued an order on January 15, 1997, directing the parties to file a final interconnection agreement implementing the order within 30 days. Essentially, the IURC's order was identical to the order described in Cause Nos. 40571-INT-02 (involving GTE and AT&T) and 40603-INT-02 (involving GTE and MCI). Without filing a final interconnection agreement, GTE appealed the IURC's order to the federal district court's northern district of Indiana on February 18, 1997.

*ISSUE(S) ON APPEAL:* In this appeal, GTE makes the same nine (9) arguments it asserted in its appeals of the IURC's orders regarding interconnection between GTE and AT&T and GTE and MCI.

*LATEST COURT ACTION:* On April 7, 1997, the Indiana Attorney General on behalf of the IURC ("State") filed a Motion to Dismiss on the same grounds outlined in the GTE/AT&T appeal. The FCC has moved to intervene and the Court has until June 30, 1997, to rule on that motion.

Indiana Bell Telephone Company, Inc., d/b/a Ameritech Indiana v. John F. Mortell, Chairman; Mary Jo Huffman, Commissioner; G. Richard Klein, Commissioner; Camie Swanson-Hull, Commissioner; David Ziegner, Commissioner (In Their Official Capacities as Commissioners of the Indiana Utility Regulatory Commission), and AT&T Communications of Indiana, Inc., U.S. District Court, Southern District of Indiana, Cause No. IP97-0662C. Appeal of IURC Order No. 40571-INT-01.

*SUMMARY OF IURC ORDER:* Ameritech and AT&T arbitrated unresolved interconnection issues and the Commission issued its Arbitration Decision on November 27, 1996. Ameritech sought reconsideration of several issues decided by the Arbitration Decision, which the Commission denied. On January 27, 1997, the Commission approved the parties' agreement in its Agreement Review Decision. The Commission approved the executed Agreement in its final order entered March 26, 1997. Ameritech appealed the final order to the federal district court's southern district of Indiana on April 25, 1997.

*ISSUE(S) ON APPEAL:* Ameritech alleges the Commission erred as follows: (1) The adoption of AT&T's anti-publicity clause violates Ameritech's First Amendment rights by unlawfully prohibiting Ameritech from truthful advertising of lawful services; (2) The Commission improperly determined that Ameritech must provide the unbundled element platform without Operator Services/Directory Assistance on a standard basis and failed to ensure appropriate compensation to Ameritech as part of this obligation; (3) The Commission improperly determined that Ameritech must provide interim number portability using RI-PH and other methods and failed to adopt a mechanism to ensure appropriate compensation to Ameritech; (4) The Commission mistakenly adopted AT&T's definitions of "poles, ducts, conduits, and rights-of-way" and of the types of equipment that AT&T may attach to Ameritech's structure; (5) The Commission's decision effects a taking of Ameritech's property within the meaning of the Fifth and Fourteenth Amendments; (6)

The Commission inappropriately included AT&T's proposed performance standards in the Agreement and determined that adequate compensation is not required for any enhanced services provided to AT&T; and (7) The Commission mistakenly determined to always use the shorter time frame in any dispute, unless it specifically found otherwise.

*LATEST COURT ACTION:* The Indiana Attorney General's Office (on behalf of the IURC) is considering filing a Motion to Dismiss because the State of Indiana has not consented to suit and Congress did not abrogate the State's immunity in passing the TA -96.

Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana v. Sprint Communications Company, L.P., and John Mortell, Chairman; Mary Jo Huffman, Commissioner; G. Richard Klein, Commissioner; Camie Swanson-Hull, Commissioner; and David Ziegner, Commissioner; (In Their Official Capacities as Commissioners of the Indiana Utility Regulatory Commission), U.S. District Court, Southern District of Indiana, Cause No. IP97-755. Appeal of IURC Order No. 40625-INT-01.

*SUMMARY OF IURC ORDER:* Ameritech and Sprint arbitrated certain unresolved interconnection issues and stipulated that, as to certain issues, they would be bound by the Commission's decision in the arbitration proceeding between Ameritech and AT&T. The Commission issued its Arbitration Decision as between Ameritech and Sprint on January 9, 1997. Ameritech sought reconsideration of several issues decided by the Arbitration Decision, which the Commission denied. On April 11, 1997, the Commission approved the parties' agreement in its final order. Ameritech and Sprint subsequently entered into a second stipulation reconfirming and expanding upon their stipulation concerning the AT&T/Ameritech arbitration.

*ISSUE(S) ON APPEAL:* Ameritech appeals the provisions of the Agreement which require Ameritech to make available to Sprint any promotional offering of 90 days' duration or less at the same rate that Ameritech charges its own end user customers and to provide two days advance written notice to Sprint of the terms and conditions of any promotional offerings (Ameritech claims that the IURC was the only commission in five states to determine the issue in Sprint's favor).

*LATEST COURT ACTION:* Ameritech filed its appeal on May 9, 1997. The State has not yet filed an answer.

**1994 Free Subscription Offering Results  
Through May 31, 1997**

<b>Description</b>	<b>Number of Accounts</b>	<b>% of Total Disconnects</b>	<b>% of Total 1,516 Subscribers</b>
<b>Total New Connects</b>	1,516		
<b>Disconnects:</b>			
<b>Customer Requested:</b>			
Can Not Afford	23	1.86%	1.52%
Disaster	8	0.65%	0.53%
Moving	184	14.89%	12.14%
No Further Use	<u>125</u>	<u>10.11%</u>	<u>8.25%</u>
<b>Total Customer Requested</b>	340	27.51%	22.44%
<b>Ameritech Action:</b>			
Abandoned Service	33	2.67%	2.18%
Fraud	1	0.08%	0.07%
Non Payment	<u>862</u>	<u>69.74%</u>	<u>56.86%</u>
<b>Total Ameritech Action</b>	896	72.49%	59.11%
<b>Total Disconnects</b>	1236	100.00%	81.55%
<b>Customers Remaining on the Network</b>	280		18.45%

**1995 Free Subscription Offering Results  
Through May 31, 1997**

<b>Description</b>	<b>Number of Accounts</b>	<b>% of Total Disconnects</b>	<b>% of Total 237 Subscribers</b>
<b>Total New Connects</b>	237		
<b>Disconnects:</b>			
<b>Customer Requested:</b>			
Can Not Afford	4	2.35%	1.69%
Disaster	3	1.76%	1.27%
Moving	36	21.18%	15.19%
No Further Use	<u>22</u>	<u>12.94%</u>	<u>9.28%</u>
<b>Total Customer Requested</b>	65	38.24%	27.43%
<b>Ameritech Action:</b>			
Abandoned Service	3	1.76%	1.27%
Fraud	1	0.59%	0.42%
Non Payment	<u>101</u>	<u>59.41%</u>	<u>42.62%</u>
<b>Total Ameritech Action</b>	105	61.76%	44.31%
<b>Total Disconnects</b>	170	100.00%	71.74%
<b>Customers Remaining on the Network</b>	67		28.26%

**1996 Free Subscription Offering Results  
Through May 31, 1997**

<b>Description</b>	<b>Number of Accounts</b>	<b>% of Total Disconnects</b>	<b>% of Total 175 Subscribers</b>
<b>Total New Connects</b>	175		
<b>Disconnects:</b>			
<b>Customer Requested:</b>			
Can Not Afford	0	0.00%	0.00%
Disaster	0	0.00%	0.00%
Moving	9	19.57%	5.14%
No Further Use	<u>3</u>	<u>6.52%</u>	<u>1.71%</u>
<b>Total Customer Requested</b>	12	26.09%	6.85%
<b>Ameritech Action:</b>			
Abandoned Service	2	4.35%	1.14%
Fraud	0	0.00%	0.00%
Non Payment	<u>32</u>	<u>69.57%</u>	<u>18.29%</u>
<b>Total Ameritech Action</b>	34	73.91%	19.43%
<b>Total Disconnects</b>	46	100.00%	26.28%
<b>Customers Remaining on the Network</b>	129		73.72%



## Grand Total Free Subscription Offering Results Through May 31, 1997

Description	Number of Accounts	% of Total Disconnects	% of Total 1,928 Subscribers
<b>Total New Connects</b>	1,928		
<b>Disconnects:</b>			
<b>Customer Requested:</b>			
Can Not Afford	27	1.86%	1.40%
Disaster	11	0.76%	0.57%
Moving	229	15.77%	11.88%
No Further Use	<u>150</u>	<u>10.33%</u>	<u>7.78%</u>
<b>Total Customer Requested</b>	417	28.72%	21.63%
<b>Ameritech Action:</b>			
Abandoned Service	38	2.62%	1.97%
Fraud	2	0.14%	0.10%
Non Payment	<u>995</u>	<u>68.53%</u>	<u>51.61%</u>
<b>Total Ameritech Action</b>	1035	71.28%	53.68%
<b>Total Disconnects</b>	1452	100.00%	75.31%
<b>Customers Remaining on the Network</b>	476		24.69%

GTE LOCAL CALLING PLANCommunity Calling Plan

Customers choosing this calling plan pay \$1.08 per month plus applicable per minute usage charges based upon the rate band matrix, distance and the time of day to those exchange areas indicated on the calling scope matrix.

Community Plus Plan

Customers choosing this calling plan pay \$2.73 per month for unlimited calling to one exchange as indicated on the calling scope matrix. Any additional exchanges the customer may want to call on an incidental basis may be called at applicable per minute usage charges based upon the rate band matrix, distance and time of day.

Premium Plan

Residence customers choosing this calling plan pay \$20.00 per month and business customers pay \$100.00 per month for unlimited flat-rated local calling to all exchanges listed on the calling scope matrix.

The following rates and charges apply:

Rate Band Matrix

<u>Distance Bands</u>	<u>Airline Miles</u>	<u>Full Rate Period</u>	
		<u>Set-Up</u>	<u>Each Minute</u>
A	1 - 10	\$0.03	\$0.04
B	11 - 16	\$0.03	\$0.05
C	17 - 23	\$0.04	\$0.07
D	24 -30	\$0.04	\$0.08

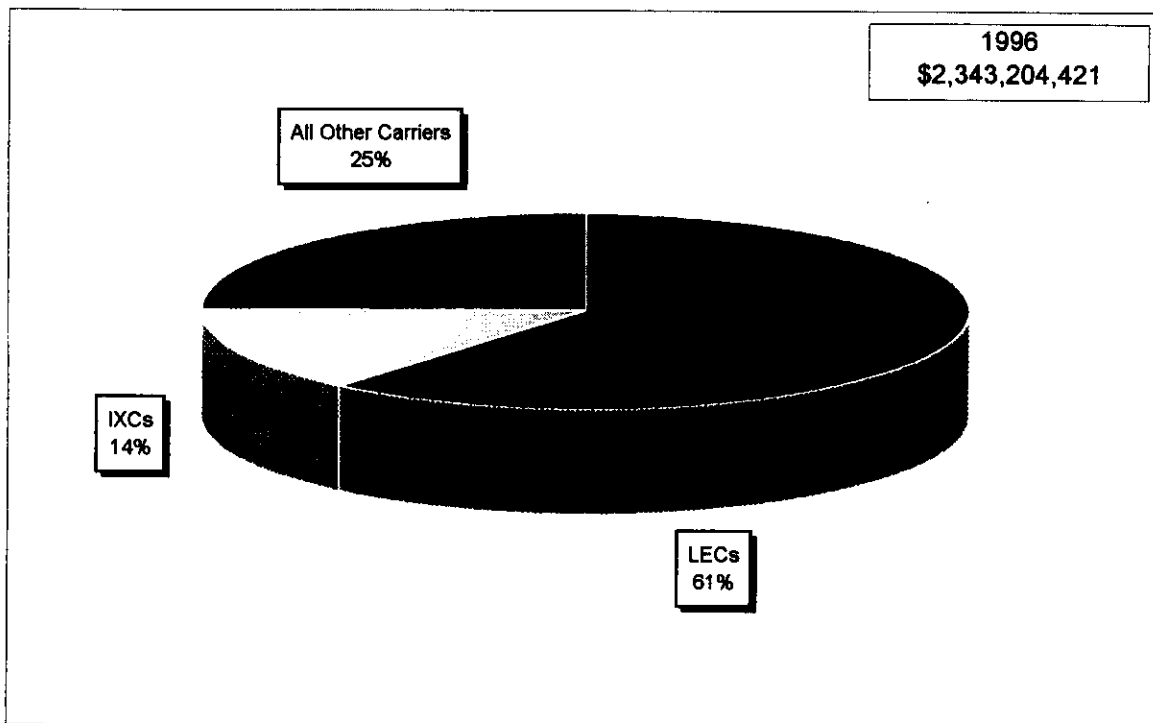
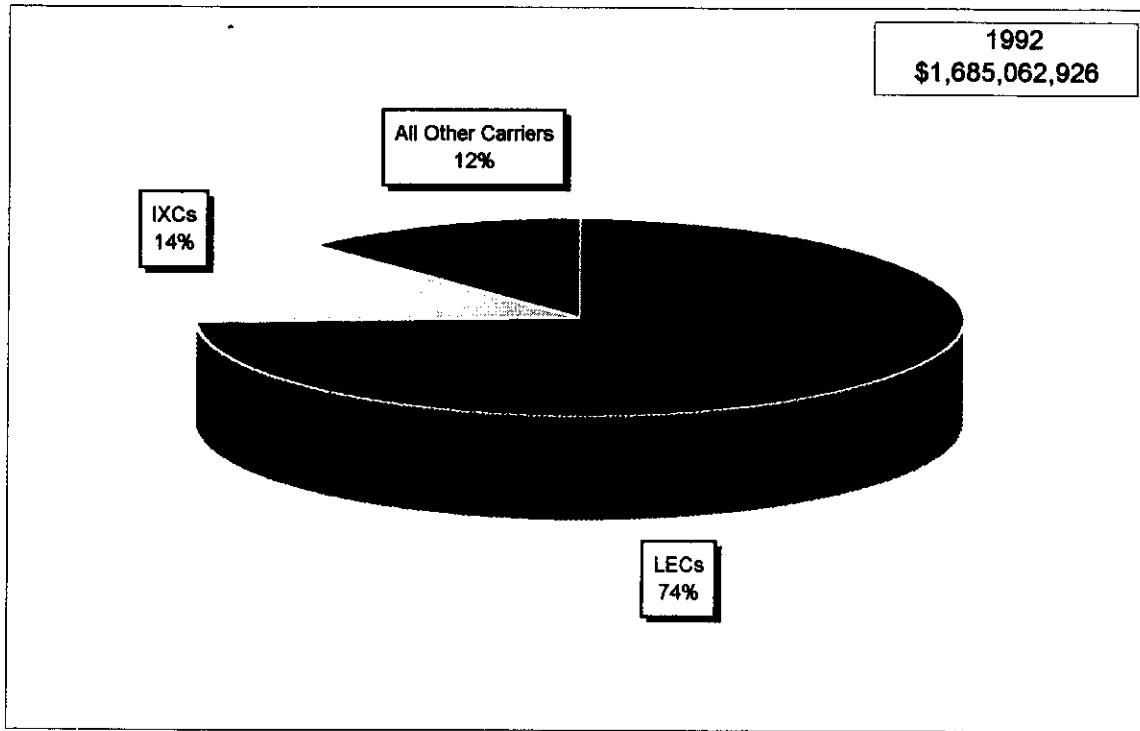
Local Call Detail

per month, plus        \$1.50  
each bill page        \$0.10

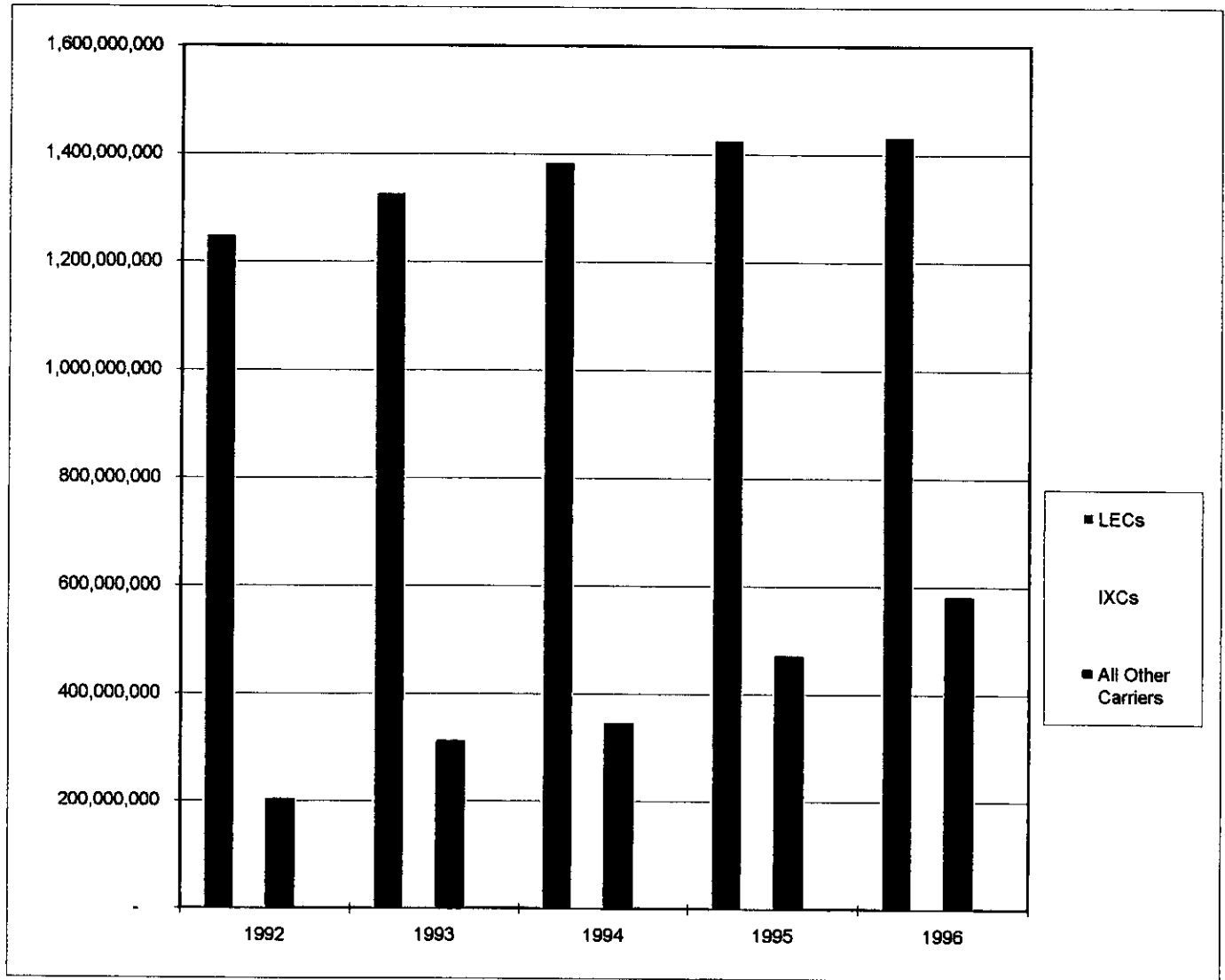
The following discounts apply:

	<u>From</u>	<u>Up to But Not Including</u>	<u>Discount</u>
Every day	9:00 p.m.	8:00 a.m.	40%
Saturdays,	8:00 a.m.	9:00 p. m.	40%
Sundays, and Certain Holidays			

## Intrastate Revenues 1992 & 1996



## Intrastate Revenues Industry Comparison



	1992	1993	1994	1995	1996
LECs	1,250,574,753	1,328,673,356	1,386,196,321	1,428,747,275	1,434,165,722
IXCs	228,755,283	271,715,387	284,913,121	333,711,341	325,425,744
All Other Carriers	205,732,890	314,756,025	348,738,363	473,869,405	583,612,955
<b>Total</b>	<b>\$ 1,685,062,926</b>	<b>\$ 1,915,144,768</b>	<b>\$ 2,019,847,805</b>	<b>\$ 2,236,328,021</b>	<b>\$ 2,343,204,421</b>

Source: Indiana Utility Regulatory Commission Fee Billing Reports

TELECOMMUNICATIONS INTRA-STATE REVENUES

LOCAL EXCHANGE CARRIERS	1992				1993				1994				1995				1996				COMPOUND ANNUAL RATE
AMERITECH CORP.	\$731,426,810				\$785,845,638				\$808,475,239				\$828,960,520				\$806,520,926				2.47%
BLOOMINGDALE HOME TEL. CO.	114,191				135,115				137,111				142,031				180,321				12.10%
CAMDEN TEL. CO.	699,762				705,909				899,859				700,499				764,957				2.25%
CENTURY TELEPHONE OF CENTRAL IN. (1)	1,130,476				1,208,904				1,239,812				2,418,462				1,766,411				11.80%
CENTURY TELEPHONE OF ODOM, INC. (2)	680,358				722,103				762,459				1,196,997				914,710				7.68%
CINCINNATI BELL TEL. CO.	1,479,370				1,775,244				2,023,436				2,084,110				2,191,546				10.32%
CITIZENS TEL. CORP.	1,238,841				955,367				974,921				979,157				1,062,917				-3.76%
CLAY COUNTY RURAL TEL.	4,550,354				4,907,790				4,735,364				5,023,313				6,027,976				7.28%
COMMUNIC. CORP. of IN.	6,101,673				4,629,812				4,702,933				5,106,620				5,492,026				-2.60%
COMMUNIC. CORP. of S. IN.	1,263,637				995,944				1,060,464				1,115,303				1,115,146				-3.08%
CONTEL of the SOUTH, INC	\$3,950,905				\$3,493,495				3,429,365				3,586,639				3,673,620				-1.80%
CRAIGVILLE TEL. CO.	530,340				399,100				379,882				368,265				397,667				-6.94%
DAVIESS-MARTIN RURAL TEL. CO.	1,043,471				1,252,165				1,234,797				1,270,774				1,419,616				8.00%
FRONTIER COMM. of IN	1,191,279				937,487				976,365				899,523				1,006,347				-4.13%
FRONTIER COMM. of THORNTOWN	1,135,578				835,370				951,599				916,365				956,723				-4.19%
GEETINGSVILLE TEL.	189,504				206,755				212,950				215,326				222,608				4.11%
GTE INDIANA (CONTEL)	68,274,123				74,354,011				73,119,961				75,221,759				77,232,663				3.13%
GTE NORTH	307,475,139				316,741,702				339,646,770				350,953,117				367,692,592				4.57%
HANCOCK RURAL TEL. CO.	2,178,314				2,338,796				2,466,003				2,634,691				2,823,102				6.70%
HOME TEL. CO.	1,315,261				1,134,910				1,134,322				1,139,716				1,269,030				-0.89%
HOME TEL. CO. of PITTSBORO	1,193,655				905,188				971,244				1,022,678				1,115,954				-1.67%
LIGONIER TEL. CO.	1,493,346				1,642,652				1,241,229				1,229,044				1,243,498				-4.47%
MERCHANTS & FARMERS TEL.	345,276				425,131				446,455				472,458				485,782				8.91%
MONON TEL. CO.	622,112				731,220				790,450				797,722				886,650				9.26%
MULBERRY COOP. TEL. CO.	540,467				562,159				674,591				699,877				723,774				7.57%
NEW LISBON TEL. CO.	343,074				375,405				344,082				349,250				355,542				0.90%
NEW PARIS TEL. CO.	875,981				890,998				1,113,933				1,035,040				1,190,811				7.98%
NORTHWESTERN IN. TEL. CO.	4,556,027				4,946,154				5,501,987				5,789,153				6,949,774				11.13%
PERRY-SPENCER RURAL COOP.	2,108,825				2,200,646				2,302,388				2,762,866				2,501,312				4.36%
PULASKI-WHITE RURAL COOP.	941,133				664,408				757,364				784,820				870,708				-1.93%
ROCHESTER TEL. CO.	3,018,827				2,454,443				3,877,000				2,602,913				2,838,294				-1.53%
S&W TEL. CO.	202,812				152,411				162,055				180,328				188,145				-1.86%
SMITHVILLE TEL. CO.	11,456,829				8,662,959				8,890,799				9,678,018				11,759,380				0.65%
S.EASTERN IN. RURAL TEL.	1,392,668				597,741				636,974				671,220				1,658,959				4.47%
SUNMAN TEL. CO.	1,092,748				1,005,098				1,168,155				1,414,518				1,479,692				7.87%
SWAYZEE TEL. CO.	561,993				674,392				525,380				520,960				512,225				-2.29%
SWEETSER TEL. CO.	566,668				613,957				352,183				1,073,284				1,155,699				19.50%

TIPTON TEL. CO.	1,725,748	2,070,898	1,814,584	2,008,876	2,043,888	4.32%
TRI-COUNTY TEL. CO.	1,345,865	1,459,494	1,534,814	1,544,854	1,702,375	6.05%
UNITED TEL. CO. of IN.	78,598,269	92,420,873	102,724,718	107,397,264	109,981,888	8.76%
WASHINGTON CTY. RURAL COOP	858,888	877,899	908,942	962,905	1,018,366	4.35%
WEST POINT TEL. CO.	357,669	385,230	374,682	276,263	299,317	-4.35%
YEOMAN TEL. CO.	406,487	378,583	518,700	539,777	462,787	3.30%
LECs TOTAL	\$1,250,574,753	\$1,328,673,356	\$1,386,196,321	\$1,428,747,275	\$1,434,165,722	3.48%

INTEREXCHANGE CARRIERS	1992	1993	1994	1995	1996	
AT&T COMMUNICATIONS of IN.	\$183,015,440	\$193,127,256	\$201,262,606	\$227,072,836	\$227,917,982	5.64%
CONSOLIDATED COMM. TELECOM SVCS. (3)	433,467	2,160,348	2,592,418	823,975	1,494,795	36.27%
LCI INTERNATIONAL TELECOM CORP.	5,343,578	8,307,307	8,396,732	9,617,509	46,370	-69.48%
MCI TELECOMMUNICATIONS CORP.	17,854,150	46,532,855	50,753,440	68,512,763	62,263,635	36.65%
SPRINT COMMUNICATIONS CO. LTD.	22,028,058	21,516,402	21,250,468	23,690,890	28,910,920	7.03%
WORLDCom NETWORK SERVICES, INC. (4)	80,590	71,209	657,457	3,993,368	4,792,042	177.69%
IXCs TOTAL	\$228,755,283	\$271,715,387	\$284,913,121	\$333,711,341	\$325,425,744	9.21%

ALL OTHER TELECOMMUNICATIONS CARRIERS	\$205,732,890	\$314,756,025	\$348,738,363	\$473,869,405	\$583,612,955	29.78%
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TOTAL ALL TELCO OPERATIONS	\$1,685,062,926	\$1,915,144,768	\$2,019,847,805	\$2,236,328,021	\$2,343,204,421	8.59%
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- (1) Formerly Central Indiana Telephone Co.  
(2) Formerly Odon Telephone Co.  
(3) Formerly Midwest Fibernet  
(4) 1996 figure is estimated

## RATE OF RETURN DATA - NINE LARGEST TELEPHONE COMPANIES

## APPENDIX 9-D

COMPANY	1992	1993	1994	1995	1996
<b>AMERITECH CORP.</b>					
Rate Base	\$1,272,522,399	\$1,688,124,988	(2)	(2)	(2)
Net Operating Income	\$125,921,503	\$194,598,973	(2)	(2)	(2)
Rate of Return	9.90%	11.53%	(2)	(2)	(2)
<b>CONTEL of the SOUTH</b>					
Rate Base	\$10,043,172	\$10,654,000	\$10,376,000	\$10,721,000	\$10,699,000
Net Operating Income	\$1,913,501	\$666,000	\$764,000	\$948,000	\$1,487,000
Rate of Return	19.05%	6.25%	7.36%	8.84%	13.90%
<b>COMMUNIC. CORP. of IN.</b>					
Rate Base	\$10,422,503	\$14,279,301	\$16,930,296	\$16,706,225	\$17,657,643
Net Operating Income	\$1,592,790	\$1,873,288	\$1,926,020	\$2,068,928	\$2,034,041
Rate of Return	15.28%	13.12%	11.38%	12.38%	11.52%
<b>GTE INDIANA (CONTEL)</b>					
Rate Base	\$112,788,000	\$145,141,000	\$143,215,000	\$136,528,000	\$139,882,000
Net Operating Income	\$10,933,000	\$23,712,000	\$28,540,000	\$23,426,000	\$27,435,000
Rate of Return	9.69%	16.34%	19.93%	17.16%	19.61%
<b>GTE NORTH</b>					
Rate Base	\$601,965,000	\$803,277,000	\$813,074,000	\$806,403,000	\$792,910,000
Net Operating Income	\$60,565,000	\$76,324,000	\$97,243,000	\$89,257,000	\$120,922,000
Rate of Return	10.06%	9.50%	11.96%	11.07%	15.25%
<b>NORTHWESTERN IN. TEL. CO.</b>					
Rate Base	\$9,549,986	\$9,942,005	\$10,426,893	\$11,002,655	\$14,777,105
Net Operating Income	\$1,081,833	\$1,646,437	\$1,145,899	\$1,370,012	\$1,285,278
Rate of Return	11.33%	16.56%	10.99%	12.45%	8.70%
<b>ROCHESTER TEL. CO.</b>					
Rate Base	\$4,675,262	\$4,803,370	\$4,894,061	\$5,177,051	\$5,299,048
Net Operating Income	\$915,047	\$1,118,081	\$1,080,310	\$1,157,932	\$1,355,113
Rate of Return	19.57%	23.28%	22.07%	22.37%	25.57%
<b>SMITHVILLE TEL. CO.</b>					
Rate Base	\$23,002,764	\$23,679,683	\$24,872,821	\$25,592,751	\$25,812,602
Net Operating Income	\$3,010,982	\$3,000,606	\$3,542,036	\$3,854,736	\$3,372,479
Rate of Return	13.09%	12.67%	14.24%	15.06%	13.07%
<b>UNITED TEL. CO. of IN. (1)</b>					
Rate Base	\$139,287,087	\$175,884,567	\$174,189,403	\$169,087,324	\$161,378,304
Net Operating Income	\$12,936,394	\$17,291,563	\$17,564,404	\$24,967,787	\$28,942,234
Rate of Return	9.29%	9.83%	10.08%	14.77%	17.93%

(1) d/b/a Sprint

(2) Ameritech is not required to file this information based on the order in Cause No. 39705 dated June 30, 1994, commonly referred to as "Opportunity Indiana".

## 1996 LEC TOTAL COMPANY INCOME STATEMENT DATA

COMPANY	OP. REVENUES	DEPR. & AMORT.	INCOME TAXES	OTHER TAXES	OP. EXPENSES
AMERITECH CORP.	1,219,154,000	210,708,000	133,262,000	46,374,000	584,781,000
BLOOMINGDALE HOME TEL. CO.	634,634	71,109	999,931	13,173	410,363
CAMDEN TELEPHONE CO.	1,350,976	139,228	138,191	25,071	635,641
CENTURY TEL. OF CENT. IN, INC. (1)	3,395,159	649,203	449,609	81,316	1,097,062
CENTURY TEL. OF ODOM, INC.(2)	1,305,737	212,092	151,378	13,355	610,045
CITIZENS TEL. CORP.	1,820,657	359,432	299,985	38,150	637,461
COMMUNIC. CORP. OF IN.	8,687,668	1,742,785	1,409,257	220,693	3,280,893
COMMUNIC. CORP OF S. IN.	1,816,685	315,747	243,262	71,091	783,629
CONTEL OF THE SOUTH	5,441,000	1,310,000	127,000	298,000	1,819,000
CRAIGVILLE TEL. CO.	696,620	101,689	73,108	12,528	368,389
FRONTIER COMM. OF IN.	1,761,195	122,435	425,131	74,497	584,177
FRONTIER COMM. OF THORNTOWN	330,326	172,158	229,027	54,818	810,353
GTE INDIANA (CONTEL)	107,646,000	21,982,000	10,589,000	38,888,000	43,246,000
GTE NORTH	555,083,000	104,763,000	43,628,000	19,729,000	275,242,000
GEETINGSVILLE TEL.	409,273	61,499	48,833	9,897	182,596
HOME TEL. CO. OF PITTSBORO	1,736,462	357,533	214,860	70,020	718,170
HOME TEL. CO.	1,857,266	468,210	265,598	28,737	720,519
LIGONIER TEL. CO	2,238,264	353,670		62,142	
MERCHANTS & FARMERS TEL.	792,679	94,693	130,433	7,363	295,988
MONON TEL CO.	1,517,523	219,642	219,848	24,317	713,300
NEW LISBON TEL.CO.	713,991	129,245	98,889	12,766	333,089
NEW PARIS TEL. CO.	2,224,493	319,801	100,840	56,177	1,254,491
NORTHWESTERN IN. TEL. CO.	11,483,923	1,739,231	671,569	191,149	7,652,512
ROCHESTER TELEPHONE	4,627,897	559,992	1,225,718	48,706	1,808,064
SMITHVILLE TEL CO.	17,215,314	3,578,147	1,604,425	357,286	8,302,978
SUNMAN TEL. CO.*					
SWAYZEE TEL. CO.	946,137	169,497	17,837	42,313	614,710
SWEETSER TEL. CO.	1,239,072	126,201	91,318	15,671	840,379
TIPTON TEL. CO.	3,400,700	442,992	481,076	85,989	1,589,237
TRI-COUNTY TEL. CO.	2,782,235	480,752	226,050	59,293	1,406,651
UNITED TEL. CO. OF IN (3)	173,720,000	30,797,000	15,581,000	6,385,000	90,604,000
WEST POINT TEL. CO.	540,979	87,642	45,937	6,425	305,104
YEOMAN TEL CO.	775,761	126,783	62,440	12,493	427,571
<b>TOTALS</b>	<b>2,137,345,626</b>	<b>382,761,408</b>	<b>213,111,550</b>	<b>113,369,436</b>	<b>1,032,075,372</b>

\* 1996 Data Not Available

(1) Formerly Central Indiana Telephone Co.

(2) Formerly Odom Telephone Co.

(3) d/b/a Sprint



## 1995 LEC TOTAL COMPANY INCOME STATEMENT DATA

COMPANY	OP. REVENUES	DEPR. & AMORT.	INCOME TAXES	OTHER TAXES	OP. EXPENSES
AMERITECH CORP.	1,199,028,000	203,565,000	120,095,000	42,839,000	600,463,000
BLOOMINGDALE HOME TEL. CO.	566,172	88,546	178,155	24,393	393,289
CAMDEN TELEPHONE CO.	1212098	134,307	239,379	110,166	496,503
CENTRAL INDIANA TEL. CO.	2,615,865	599,082	247,046	-	1,107,269
CINCINNATI BELL TEL. CO.	617,131,000	108,089,000	7,792,000	54,711,000	398,914,000
CITIZENS TEL. CORP.	1,680,056	204,813	320,350	39,029	589,518
CLAY COUNTY RURAL TEL.	7,462,000	1,360,000	237,000.00	-	2,131,000
COMMUNIC. CORP. of IN.	8,044,896	1,583,369	1,564,317	214,035	2,831,833
COMMUNIC. CORP. of S. IN.	1,822,563	284,169	281,427	883	840,101
CONTEL of INDIANA INC.	106,083,000	21,122,000	9,363,000	3,688,000	48,268,000
CONTEL of THE SOUTH (1)	5,394,000	1,162,000	661,000	224,000	2,193,000
CRAIGVILLE TELEPHONE CO.	651,910	125,009	82,174	-	305,999
FRONTIER COMM. of IN. (2)	1,507,056	137,309	248,180	74786	688,334
FRONTIER COMM. of THORNTOWN (3)	1,506,255	156,565	193,833	47959	808,127
GTE NORTH	521,292,000	101,625,000	33,638,000	20,706,000	283,213,000
GEETINGSVILLE TEL.	390,966	54,850	33,679	10,569	164,210
HOME TEL. CO. of PITTSBORO	1,608,811	358,964	172,231	50,308	702,175
HOME TEL. CO.	1,804,446	476,458	229,964	30,167	703,421
LIGONIER TEL. CO.	2,138,480	334,808	272,161	56,311	791,571
MERCHANTS & FARMERS TEL.	794,493	63,709	154,421	8,809	285,405
MONON TEL. CO.	1,391,378	192,032	218,430	-	691,687
MULBERRY COOP. TEL. CO. *	981,284	171,224	148,950	22,462	363,882
NEW LISBON TEL. CO.	682,594	126,795	71,790	14,063	328,982
NEW PARIS TEL. CO.	1,941,908	327,347	117,167	52,841	1,080,792
NORTHWESTERN IN. TEL. CO.	10,225,556	2,169,930	1,054,226	-	6,054,228
ODON TEL. CO.	1,281,951	195,823	157,125	20,946	587,635
ROCHESTER TELEPHONE	4,278,661	603,719	795,138	38,615	1,721,662
SMITHVILLE TEL. CO.	15,796,000	3,440,000	1,761,000	376,000	6,364,000
SUNMAN TEL. CO.	2,865,155	468,970	388,106	50,721	1,218,574
SWAYZEE TEL. CO.	880,805	68,764	30,144	41,234	586,463
SWEETSER TEL. CO.	1,178,887	117,604	29,183	22,336	617,316
TIPTON TEL. CO.	3,496,971	441,466	454,112	85,924	1,717,062
TRI-COUNTY TEL. CO.	2,444,143	449,684	166,628	80,382	447,088
UNITED TEL. CO. of IN.	166,593,000	31,103,000	10,601,000	5,897,000	60,320,000
WEST POINT TEL. CO.	524,112	86,329	54,035	8,436	261,014
YEOMAN TEL. CO.	746,789	127,152	93,477	22,038	393,975
<b>TOTALS</b>	<b>2,698,023,261</b>	<b>481,614,797</b>	<b>192,143,828</b>	<b>129,568,413</b>	<b>1,428,643,716</b>

\* 1995 Data Not Available

(1) Formerly ALL TEL Indiana, Inc.

(2) Formerly Citizens Telephone of Fairmount

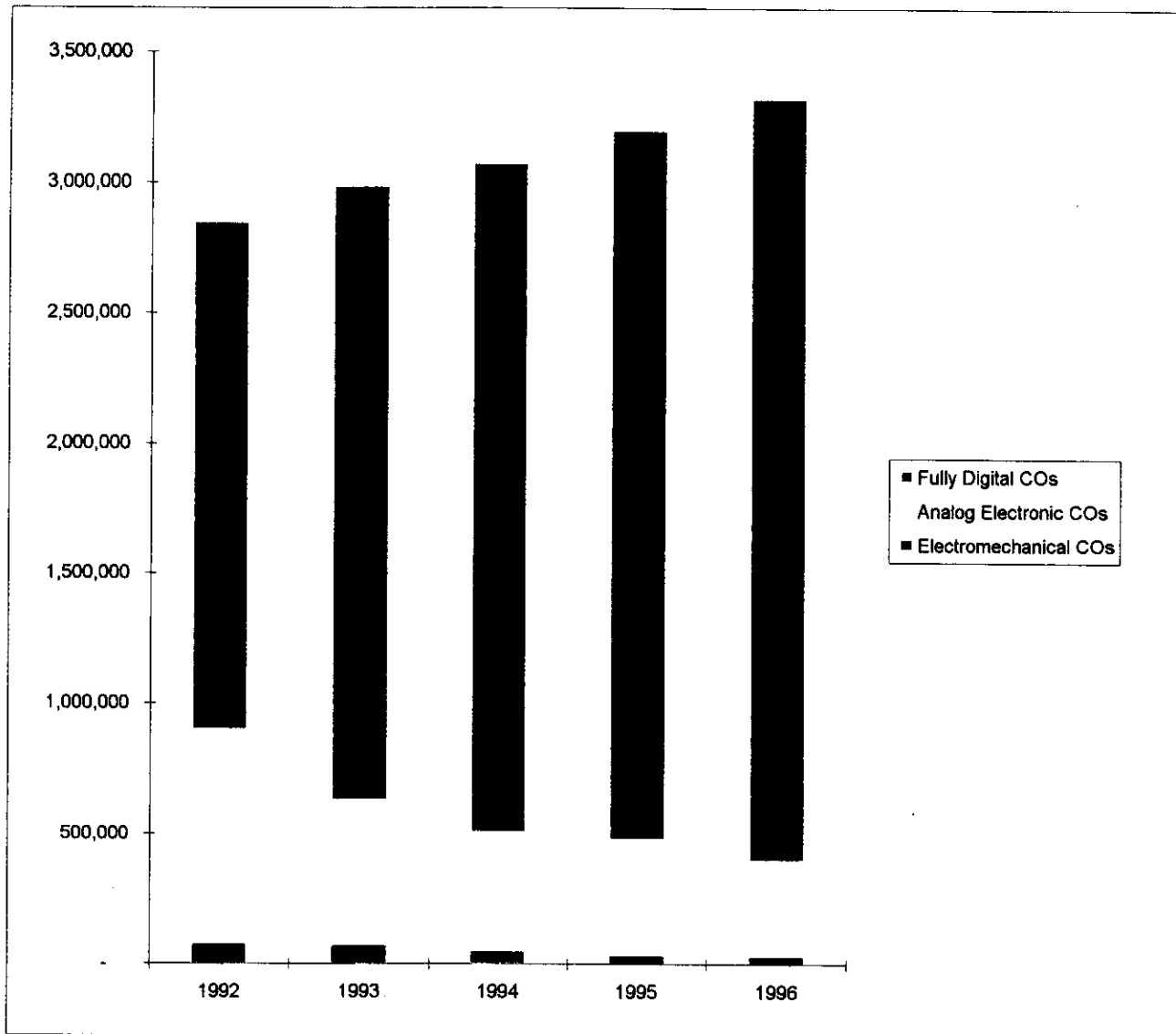
(3) Formerly Thorntown Telephone Co.

## TOTAL INCOME STATEMENT DATA - FOUR LARGEST LECs

	1992	1993	1994	1995	1996	COMPOUND ANNUAL RATE
<b>AMERITECH CORP.</b>						
Operating Revenues	\$1,046,824,000	\$1,116,485,000	\$1,155,605,000	\$1,199,028,000	\$1,219,154,000	3.45%
Depreciation & Amortization	204,002,000	199,141,000	197,845,000	203,565,000	210,708,000	-0.05%
Income Taxes	70,562,000	90,802,000	30,956,000	120,095,000	133,262,000	14.22%
Other Taxes	39,194,000	44,726,000	46,050,000	42,839,000	46,374,000	2.25%
Other Operating Expenses	553,745,000	579,265,000	682,066,000	600,463,000	584,781,000	2.05%
<b>GTE INDIANA (CONTEL)</b>						
Operating Revenues	\$100,478,353	\$106,852,000	\$110,103,000	\$106,083,000	\$107,846,000	1.37%
Depreciation & Amortization	21,007,130	20,501,000	20,063,000	21,122,000	21,982,000	0.14%
Income Taxes	5,464,059	10,578,000	13,291,000	9,363,000	10,589,000	14.41%
Other Taxes	2,802,540	3,149,000	3,314,000	3,688,000	38,888,000	7.11%
Other Operating Expenses	56,813,010	48,585,000	43,944,000	48,268,000	43,246,000	-3.99%
<b>GTE NORTH</b>						
Operating Revenues	\$459,636,523	\$451,348,000	\$489,803,000	\$521,292,000	\$555,083,000	3.20%
Depreciation & Amortization	93,227,862	92,032,000	99,729,000	101,625,000	104,763,000	2.18%
Income Taxes	31,656,139	25,524,000	37,375,000	33,638,000	43,628,000	1.53%
Other Taxes	16,070,092	17,902,000	19,241,000	20,706,000	19,729,000	6.54%
Other Operating Expenses	242,265,473	246,731,000	244,569,000	283,213,000	275,242,000	3.98%
<b>UNITED TEL. CO. of IN. (1)</b>						
Operating Revenues	\$142,115,614	\$150,374,000	\$157,277,000	\$166,593,000	\$173,720,000	4.05%
Depreciation & Amortization	31,383,625	28,895,000	30,470,000	31,103,000	30,797,000	-0.22%
Income Taxes	9,726,407	7,369,000	7,711,000	10,601,000	15,581,000	2.18%
Other Taxes	5,024,678	5,655,000	5,809,000	5,897,000	6,385,000	4.08%
Other Operating Expenses	77,461,510	90,455,000	93,085,000	60,320,000	90,604,000	-6.06%
<b>COMPANY TOTALS</b>						
Operating Revenues	\$1,749,054,490	\$1,825,059,000	\$1,912,788,000	\$1,992,996,000	\$2,055,603,000	3.32%
Depreciation & Amortization	349,620,617	340,569,000	348,097,000	357,415,000	368,250,000	0.55%
Income Taxes	117,408,605	134,273,000	89,333,000	173,697,000	203,060,000	10.29%
Other Taxes	63,091,310	71,432,000	74,414,000	73,130,000	111,376,000	3.76%
Other Operating Expenses	930,284,993	965,036,000	1,063,664,000	992,264,000	993,873,000	1.63%

(1) d/b/a Sprint

## Total Switched Access Lines by Type of Central Office Switch



	1992	1993	1994	1995	1996
Electromechanical COs	79,862	73,832	51,715	35,922	33,100
Analog Electronic COs	819,035	555,002	456,080	441,379	363,802
Fully Digital COs	1,952,762	2,360,269	2,566,387	2,724,452	2,928,422
<b>Tot. Switched Acc. Lines</b>	<b>2,851,659</b>	<b>2,989,103</b>	<b>3,074,182</b>	<b>3,201,753</b>	<b>3,325,324</b>

Note: Excludes Daviess-Martin and Washington

## TOTAL SWITCHED ACCESS LINES BY TYPE OF CENTRAL OFFICE SWITCH AND EQUAL ACCESS

As of December 31, 1996

COMPANY	ELECTRO MECHANICAL		ANALOG ELECTRONIC		FULLY DIGITAL		EQUAL ACCESS	
	LINES	PERCENT	LINES	PERCENT	LINES	PERCENT	LINES	PERCENT
AMERITECH CORP.	-	0.00%	313,776	15.04%	1,772,160	84.96%	2,085,936	100.00%
BLOOMINGDALE HOME TEL. CO.	-	0.00%	-	0.00%	574	100.00%	574	100.00%
CAMDEN TEL. CO.	-	0.00%	-	0.00%	1,731	100.00%	1,731	100.00%
CENTURY TEL. OF CENTRAL IN, INC (1)	-	0.00%	-	0.00%	3,186	100.00%	3,186	100.00%
CENTURY TEL. OF ODOO, INC (2)	-	0.00%	-	0.00%	1,641	100.00%	1,641	100.00%
CITIZENS TEL. CORP.	-	0.00%	-	0.00%	2,369	100.00%	2,369	100.00%
CLAY COUNTY RURAL TEL.	-	0.00%	-	0.00%	10,709	100.00%	10,709	100.00%
COMMUNIC. CORP. of IN.	-	0.00%	-	0.00%	9,754	100.00%	9,754	100.00%
COMMUNIC. CORP. of S. IN.	-	0.00%	-	0.00%	2,031	100.00%	2,031	100.00%
CONTEL of THE SOUTH	847	8.66%	-	0.00%	8,937	91.34%	8,937	91.34%
CRAIGVILLE TEL. CO.	-	0.00%	-	0.00%	840	100.00%	840	100.00%
DAVISS-MARTIN RURAL (4)	-	-	-	-	-	-	-	-
FRONTIER COMM. of IN.	-	0.00%	-	0.00%	2,467	100.00%	2,467	100.00%
FRONTIER COMM. of THORNTOWN	-	0.00%	-	0.00%	2,501	100.00%	2,501	100.00%
GEETINGSVILLE TEL.	-	0.00%	-	0.00%	465	100.00%	465	100.00%
GTE INDIANA (CONTEL)	940	0.55%	-	0.00%	170,083	99.45%	171,023	100.00%
GTE NORTH	31,313	4.47%	47,144	6.73%	621,883	88.80%	654,881	93.51%
HANCOCK RURAL	-	0.00%	-	0.00%	6,091	100.00%	6,091	100.00%
HOME TEL. CO.	-	0.00%	-	0.00%	2,111	100.00%	2,111	100.00%
HOME TELEPHONE of PITTSBORO	-	0.00%	-	0.00%	2,097	100.00%	2,097	100.00%
LIGONIER TEL. CO.	-	0.00%	-	0.00%	2,532	100.00%	2,532	100.00%
MERCHANTS & FARMERS TEL.	-	0.00%	-	0.00%	527	100.00%	527	100.00%
MONON TEL. CO.	-	0.00%	1,668	100.00%	-	0.00%	1,668	100.00%
MULBERRY	-	0.00%	-	0.00%	2,458	100.00%	2,458	100.00%
NEW LISBON	-	0.00%	-	0.00%	793	100.00%	793	100.00%
NEW PARIS TEL. CO.	-	0.00%	-	0.00%	1,906	100.00%	1,906	100.00%
NORTHWESTERN IN. TEL. CO.	-	0.00%	-	0.00%	11,324	100.00%	11,324	100.00%
PERRY-SPENCER	-	0.00%	-	0.00%	5,149	100.00%	5,149	100.00%
PULASKI-WHITE	-	0.00%	-	0.00%	1,792	100.00%	1,792	100.00%
ROCHESTER TEL. CO.	-	0.00%	-	0.00%	7,293	100.00%	7,293	100.00%
S & W	-	0.00%	-	0.00%	461	100.00%	461	99.14%
SMITHVILLE TEL. CO.	-	0.00%	-	0.00%	28,216	100.00%	28,216	100.00%
S. EASTERN IN. RURAL TEL.	-	0.00%	-	0.00%	4,123	100.00%	4,123	100.00%
SUNMAN TEL. CO.	-	0.00%	-	0.00%	4,078	100.00%	4,078	100.00%
SWAYZEE TEL. CO.	-	0.00%	-	0.00%	1,055	100.00%	1,055	100.00%
SWEETSER TEL. CO.	-	0.00%	-	0.00%	1,693	100.00%	1,693	100.00%
TIPTON TEL. CO.	-	0.00%	-	0.00%	4,636	100.00%	4,636	100.00%
TRI-COUNTY TEL. CO.	-	0.00%	-	0.00%	3,137	100.00%	3,137	100.00%
UNITED TEL. CO. of IN (3)	-	0.00%	-	0.00%	224,945	100.00%	224,945	100.00%
WASHINGTON CO. (4)	-	0.00%	-	0.00%	-	-	-	-
WEST POINT TEL. CO.	-	0.00%	-	0.00%	670	100.00%	670	100.00%
YEOMAN	-	0.00%	1214	100.00%	-	0.00%	1,214	100.00%
<b>TOTALS</b>	<b>33,100</b>	<b>1.00%</b>	<b>363,802</b>	<b>10.94%</b>	<b>2,928,422</b>	<b>88.06%</b>	<b>3,279,014</b>	<b>98.61%</b>

(1) Formerly Central Indiana Telephone Co.

(2) Formerly Odon Telephone Co.

(3) d/b/a Sprint

(4) Did not respond to data request.